Four Seasons Mall Market Study

City of Plymouth

April 29, 2011

This study was funded by a
Metropolitan Council 2010
LCDA Pre-Development Grant

Metropolitan Council

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April 29, 2011

Steve Juetten
Community Development Director
City of Plymouth
3400 Plymouth Boulevard
Plymouth, MN 55447

Re: Plymouth Four Seasons Mall Market Study

Dear Mr. Juetten:

Bonestroo is pleased to present our market study that assessed the potential demand for senior housing, retail, and office uses on the Site of the Four Seasons Mall in Plymouth, MN. This study quantifies demand for each potential use, analyzes the competitive market situation, and assesses the potential for the subject Site to capture a portion of the calculated demand in the near-term (within five years) and long-term (within 10 years).

Our findings reveal that there is sufficient demand to support a mixture of uses. Based on an analysis of competitive properties and demand from specific market segments, we have recommended several development programs we believe would minimize risk and position any future development for success. Detailed findings are found in the body of the report.

We have enjoyed performing this study for you and are available if you need additional information.

Sincerely,

BONESTROO

Jay Demma
Project Manager

Paul Bilotta
Redevelopment Specialist

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Executive Summary

This market study analyzed the near- and long-term development potential of the Four Seasons Mall in Plymouth, Minnesota. According to the City of Plymouth's comprehensive plan, the Site is guided commercial but could be mixed use. Therefore, as a potential mixed use site, this study evaluated land uses that often can be complementary when on the same site, namely housing – particularly senior housing – retail, and office uses. The following is a summary of major findings, conclusions, and recommendations contained in this report.

SITE ANALYSIS

The Site is located in the southwest quadrant of the intersection of Highway 169 and Rockford Road (County Road 9). It is approximately 21 acres in size. The Site currently contains the Four Seasons Mall, a 1970s vintage shopping center with approximately 117,000 square feet of retail space that is experiencing high rates of vacancy. Based on visibility, accessibility, and surrounding land uses, the Site would be an appropriate location for each of the potential land uses evaluated in this study. This determination is based on the following:

- Average daily traffic volumes on Highway 169 are approximately 83,000 and along Rockford Road (County Road 9) it is 28,500
- Surrounding the Site are a mix of small commercial buildings, market rate apartments, and single-family homes; none of which would negatively impact the market potential to support senior housing, retail, or office uses

Despite the appropriateness of the Site, there are constraints which will affect the form and amount of development that can be supported. The following are important concerns that will need to be taken into consideration with any new development concept:

- The intersection with Rockford Road and Lancaster Lane, which provides direct access to the Site, currently operates poorly under certain traffic conditions and a more intense use of the Site would increase traffic at the intersection
- The Site is somewhat oblong and may have difficulty accommodating certain uses that require a depth beyond 600 feet
- The southern portion of the Site is a wetland
- Proximity to an established residential neighborhood

DEMOGRAPHIC ANALYSIS

A variety of regional and local demographic data were analyzed to understand the drivers of demand for the potential uses on the Site. Key findings regarding demographic conditions and trends are as follows:

- Forecasted population and household growth in the Trade Areas surrounding the Site is modest because of the lack of available land for development
- The region and the Trade Area, in particular, are aging rapidly
- Homeownership rates, after years of increases, are beginning to fall because of more stringent home mortgage standards and declining home values
- Household types are continuing a decades long shift to more non-traditional family households, such as couples without children and single-parent families
- Household size is decreasing

- Although Plymouth is generally an affluent community compared to the rest of the region, the Trade Area surrounding the Site tends to have households with incomes that are much more in-line with metro averages

MARKET ANALYSIS

Data was collected on the current and forecasted condition of the market for each potential use. This included an examination of vacancy rates, rental rates, and the profile of competitive properties. The following were key findings of the analysis for each potential use:

SENIOR HOUSING

- There are over 30 senior housing facilities in or near the Trade Area with a combined total of 3,900 units
- The nearby supply of senior housing is concentrated in market rate independent living buildings that cater to younger, more active seniors who have made a lifestyle choice
- A great deal of the independent living buildings are standalone facilities that are older, and verging on obsolescence because they do not have the kinds of features and amenities desired by today's market
- Assisted living and memory care facilities are outperforming other types of senior housing
- The continuum of care concept, which features a range of senior housing options in one building or on a campus, performs better than standalone facilities

RETAIL

- The retail market has experienced rising vacancies and declining rents in recent years as a result of the recession
- Retail centers in the Northwest Metro, where the Site is located, have vacancy rates that are above the metro rate and rents that are similar to the metro rate
- There are five retail districts located within one to 1.5 miles of the Site; none of these districts features amenities or a mixture of uses that creates a distinctive position in the market
- The New Hope Town Center is the nearest competitive center and it has struggled in recent years with deferred maintenance, high vacancies, and a poor mix of tenants
- Rock Ridge Center, located just north of the Site, has one of the lowest vacancy rates among all of the retail districts analyzed

OFFICE

- The office market, like the retail market, has experienced rising vacancies and declining rents in recent years as a result of the recession
- The office Trade Area is one of the strongest performing submarkets in the metro area with vacancy rates one to two percentage points below the metro rate
- Office jobs in the Trade Area are forecasted to grow by 6,000 in the next 10 years

MEDICAL OFFICE

- Healthcare related jobs are forecasted to have the highest rate of growth in the next 10 years
- At around 6%, medical office buildings in the Trade Area have vacancy rates that are significantly below that of the metro area average, which is more than 20%

CONCLUSIONS AND RECOMMENDATIONS

Based on forecasted growth in the household base, household income, spending patterns, employment, and the supply of competitive product, demand for each potential use was

quantified and assessed for its “ripeness” in the marketplace. Below are the conclusions for each potential use:

SENIOR HOUSING

The Site would be well suited for a variety of senior housing options. The accessibility and visibility of the site would work well for assisted living and memory care since these facilities often prefer centralized locations due to frequent visits from family and friends, staff needed for personal care, and higher turnover rates among the resident population. The overall market for assisted living and memory care has been performing well in recent years as these product types have matured and become an acceptable alternative to skilled nursing care. Although calculated demand within the Housing Trade Area is not particularly large for either product type, there does appear to be somewhat of a lack of facilities within 1 to 2 miles of the Site, which would enhance the ability of a project to capture maximum market share.

Assisted living and memory care can function as standalone facilities, but the trend in the marketplace is to provide these services as part of a continuum of care. A continuum not only provides residents some assurance of access to personal care as they age in place, but also helps operators defray expenses by offering a variety services. Moreover, a standalone assisted living or memory care facility would only utilize a small portion of the Site.

As a possible single use option, there would have to be a full continuum of care on the Site. This means that in addition to assisted living and memory care, a project would also have to include independent living. As previously noted, there is a glut of independent living projects in the Trade Area, which is putting a drag on demand but much of this product is older and verging on obsolescence. Therefore, a project designed to meet the needs of today’s seniors, such as units with universal living standards (i.e., fully accessible bathrooms and kitchens), could not only capture a high proportion of new demand but may attract residents from existing buildings.

Despite the advantages a newer project may have competing against older product, the effect of the recession and the impact on the for-sale housing market is still negatively affecting independent living. Therefore, it may be three to five years until a market for new independent living can be supported. Independent living is a lifestyle choice, and for now, many in the target market are choosing to delay a move because of the recent decline in their home values.

Because independent living is a lifestyle, the ability to introduce amenity to a project or site will enhance market interest and acceptance. Amenity can come in the form of architecture, natural areas, attractive public realm, a continuum of care, or nearby complementary services, such as medical clinic, drug store, restaurants or access to transit.

- Independent living market demand is between 60 and 80 units. However, this market is likely not going to develop until after 2015 and we would recommend that any attempt to develop a large number of independent living units should be developed as part of a continuum of care concept.
- Assisted living market demand is between 25 and 50 units. The assisted living market is strong enough to develop a standalone facility. However, assisted living units would also perform better in a continuum of care concept.
- Memory care market demand is between 10 and 25 units. This is not enough demand to develop a standalone memory care facility. However, it would be feasible as part of a continuum of care concept.

RETAIL

Calculations for retail demand indicated that there is minimal Trade Area demand for a community-based retail center that would support a user or users dependent on a 3 to 5 mile Trade Area. This does not necessarily preclude the potential for a successful retailer to locate on the Site. It just means that to be successful they would likely have to steal significant market share from existing retail districts which can cause other negative community impacts.

In contrast, there appears to be demand for neighborhood-oriented retail that would draw customers from a smaller Trade Area. There is not enough neighborhood-oriented demand to fill the entire Site however and the size of the Site exceeds what would normally be expected in a neighborhood oriented center. This is further an issue in the long term because of the fact that current demand is calculated to shrink because of decreased spending power due to an aging household base.

Although the retail use should be scaled back from its current size, we would not recommend turning its back completely from the highway. A strength of the Site is its access and visibility from Highway 169 and Rockford Road. This would need to be preserved in some manner in order to maintain a competitive advantage in the marketplace.

One way to carve out a successful market niche is the potential to introduce an amenity that is distinctive from the other competitive retail districts. No other retail district in either the neighborhood or community Trade Areas, with the exception of the Winnetka Avenue and Highway 55 center, has a public space or realm that encourages any non-motorized activity. Amenities can invite users to interact with the public space and create a competitive advantage.

- Unmet neighborhood retail demand is between 30,000 square feet and 50,000 square feet.
- Restaurants will likely be one of the strongest retail concepts with two sit down restaurants as a possibility in addition to smaller, quick service restaurant concepts.
- The general grocery market has been almost fully absorbed by the new Cub store and therefore any additional grocery would need to be a small, niche concept.
- There is market for a drug store at this location which would occupy approximately 12,000 – 15,000 square feet in size.
- Specialty retail could include uses such as coffee shop, liquor stores, cellular phones and sports/recreation.

OFFICE

Highway visibility and accessibility make the Site appropriate for an office use. Although calculated demand indicates that there may be sufficient demand to eventually support an office building, this demand won't be realized until there is sufficient employment growth, especially among office-based occupations, and absorption of existing excess supply.

Although the Site is appropriate for an office use, it should be noted that it is not necessarily appropriate for a large Class A building. The Office Trade Area has a large supply of these types of Class A buildings and the Site does not have enough nearby attractions to have the kind of character that warrants the premium rents. Nonetheless, it is a highly accessible Site in the middle of a strong submarket that has traditionally been a center for offices. Smaller multi-tenant facilities are the most likely possibility for meeting this demand either as part of a single use structure or combined with other uses in a mixed use format.

One possibility for a single use office site is the potential of attracting a large single user who would build a corporate or regional headquarters building. Plymouth has many examples of corporate or regional headquarters and there are very few sites remaining with such highly visible locations along major highways. However, no one can predict when this can happen because regional and corporate headquarters are few and far between. Therefore, basing a land use plan with that specific use in mind would be problematic because of the likelihood that it may never occur.

- New office building market demand is between 30,000 and 100,000 square feet. Due to the current strain in the office market, it is anticipated that this market will not be recovered to the point of large scale new office construction until 2014.
- Smaller amounts of office would be expected to be develop in the near term as part of a mixed use scenario on a tenant by tenant basis (such as insurance agent, tax preparation, etc.) because this type of tenant operates more like a retail use and is not as affected by the overall office market.

MEDICAL OFFICE

Demand for medical office space in the Trade Area is strong relative to other parts of the metro area and growth projections, both demographic and employment, suggest that this market will continue to grow in the short and long-term. The Site would be well positioned for a medical office building. The Trade Area is aging and much of the area has enough affluence to be strong consumers of medical services. Furthermore, there is an existing medical office building located nearby just north of Rockford Road, which could serve as a basis to cluster medical uses.

Although there may be enough demand for medical office to use the entire Site, there would be a lot of synergy with other complementary uses including senior housing, and certain retail uses, particularly medical retail, such as drug stores, wellness centers, fitness centers, etc.

- For this Site, it is anticipated that the medical office market demand is between 10,000 and 50,000 square feet. The medical office demand is impacted less by the recession and therefore, development of new medical office space can occur in the short term.

MIXED-USE SCENARIOS

Successful mixed use projects require not only a mixture of uses and key design elements, but also an interrelationship between those uses. The mixture of uses needs to be complementary and mutually supportive. The surrounding residents and employees should feel an emotional tie to the development and be frequent customers. This synergy is key to achieving to developing a market that is greater than the sum of its parts.

One example of this synergy is to find uses that have parking needs at very different times of the day so that they can share parking and reduce the overall parking lot footprint. Transit is often a good use to support mixed use projects because it brings additional customer traffic, but also has parking needs that occur at different times as other large park uses, such as restaurants. A good example of this type of development is the Southwest Station site in Eden Prairie.

One of the attractive features of the Site for mixed use development is that one key component for success can already be considered to be in place, namely multi-family housing. This kind of existing density creates an opportunity for mixed use development if the redevelopment design can build upon the existing residential development patterns. The key will be to form literal, visual and emotional connections with the surrounding residential neighborhoods so that the

entire area (both old and new) serves as one compatible, connected commercial and residential mixed use district.

More than with other development formats, market demand alone is not sufficient to achieve success with a mixed use development. Design, tenant mix, and execution are every bit as important to a mixed use development's chance for success as the market itself. A successful mixed used development needs to have a "sense of place". When this is achieved, the impact can be an expansion of market reach and increased growth of both residential and commercial property values.

Key elements that lead to success in mixed unit developments include the following:

- High level of design including pedestrian scale details and the public realm
- Massing of structures to facilitate walking between uses
- If uses are stacked vertically, non-residential spaces should have sufficient structural flexibility to reconfigure over time
- Minimizing parking footprint, often with structured parking
- Actively seeking tenants that create the most synergy with existing uses
- Enhancing the "sense of place" by tying the development to the site history or natural features

The previous analysis identifies several promising uses including senior housing, neighborhood-oriented retail, office, and medical office, although each use has at least one limitation which does not make it strong enough use to occupy the Site by itself. However, these are desirable uses for a mixed use development, since they provide opportunities for achieving synergy. There is enough market potential in each use that should provide significant design flexibility for the creation of concept plans. Some likely successful scenarios would be as follows:

- Continuum care senior housing with a neighborhood-oriented retail component
- A balance between neighborhood-oriented retail, small office, and assisted or memory care senior facility.
- Office, medical office and neighborhood-oriented retail either mixed vertically or horizontally.

Site Analysis

SITE DESCRIPTION

The subject Site is approximately 21 acres in size and is bounded by Highway 169 on the east, Rockford Road (CR9) on the north, Lancaster Lane on the west, and the Manor Royal Apartments on the south.

The Site is guided commercial with a potential as a mixed-use/transit site in the city's comprehensive plan and zoned neighborhood commercial (C-2). The neighborhood commercial zone is intended to provide for low- to moderately-intense commercial uses.

Most of the Site is currently being used as a semi-enclosed shopping center with associated surface parking. The existing shopping center, the Four Seasons Mall, is approximately 117,000 square feet and was built in 1978. The southern portion of the Site currently contains a wetland, part of which may have been filled in when the shopping center was built.

The Site is generally rectangular in shape with approximately 1,200 feet of frontage along Lancaster Lane and a variable depth of between 300 and 600 feet. The site has a long, access restricted border with Hwy 169. Although the Site is large enough to accommodate a variety of uses, the lack of depth in some areas and need to accommodate screening in all four directions may provide a challenge for site planning, particularly with large uses or loading docks.

ACCESS AND VISIBILITY

The Site has excellent visibility along Highway 169. Average daily traffic volumes on Highway 169 are approximately 83,000 and along Rockford Road (County Road 9) it is 28,500. There is excellent visibility for vehicles traveling northbound on Highway 169. Vehicles traveling southbound on Highway 169, however, have a somewhat obscured view of the Site due to the Rockford Road overpass and the highway on ramp from eastbound Rockford Road to southbound Highway 169. The site is visible once the vehicles are south of the overpass. Despite this minor visual obstruction, travelers along southbound Highway 169 could be made aware of uses on the Site through basic signage and building placement. The high degree of visibility is sufficient for most types of retail, office, and specialty housing, including assisted living or memory care facilities, which benefit from highly visible locations due to frequent visits from family and friends.

Direct access to the Site is from two points along Lancaster Lane, which functions as a frontage road for Highway 169 and has an average daily traffic of 3,450. Contributing to the traffic along Lancaster Lane is a small office building, a bank, and several apartment complexes. There also is a neighborhood of single-family homes located just to the west of Lancaster Lane, which are accessed via Pilgrim Lane. Pilgrim Lane intersects Lancaster Lane at the Site.

There is no direct access to the Site from Rockford Road. Lancaster Lane swings dramatically west with a fairly sharp curve to intersect Rockford Road immediately northwest of the Site. This intersection is fully signalized with turn lanes in each direction. To the south of the Site, the Lancaster Lane intersection with 36th Avenue North is unsignalized and does not continue directly as a frontage road further south due to the offset intersection with Kilmer Lane North.

There is a full clover-leaf interchange at Rockford Road and Highway 169 immediately adjacent to the site. This provides the Site with excellent vehicular access to both the local road network as well as the regional highway network. The primary access concern is the lack of suitable alternatives for traffic flow if a redevelopment occurred at such density that it created traffic demand that exceeded the capacity of Lancaster Lane to accommodate it conveniently at either the Rockford Road or 36th Avenue North intersections.

SURROUNDING USES

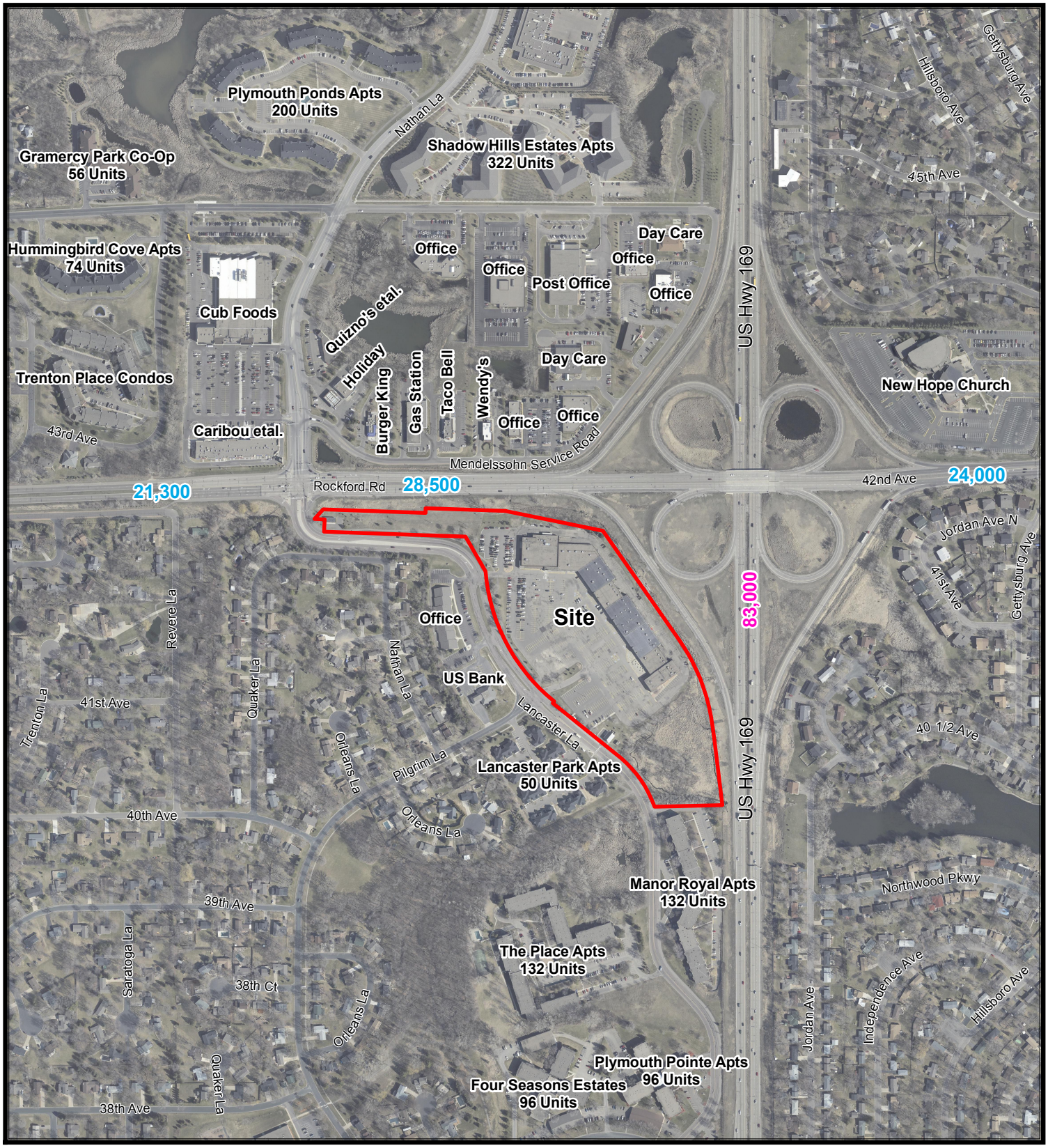
North of Rockford Road is a commercial district anchored by a Cub grocery store. The Cub shopping center experienced significant new construction and upgrading of tenant spaces in 2006. There is also a small strip center to the east of the Cub shopping center with stores that serve area residents and workers. In addition, there are several fast food restaurants and gas stations facing Rockford Road that take advantage of the proximity to Highway 169.

Immediately west of the Site, across Lancaster Lane, is a freestanding US Bank, a single-story office building, and the Lancaster Park Apartments (a rental townhome development). The commercial architecture and site layouts west of Lancaster Lane are much less intense than the commercial developments in the area north of Rockford Road and have more of a residential feel. This is likely due to the fact that they are immediately adjacent to a single family neighborhood to the west and need to be sensitive to the impacts on that area. Each of these uses has direct views of the Site across Lancaster.

South of the subject Site along Lancaster Lane are several large rental apartment buildings that date from the late 1960s and early 1970s that total approximately 965 units. There is excellent non-motorized access from the apartments to the Site due to the trail on the east side of Lancaster Lane.

None of the surrounding land uses would have a negative impact on the market potential for the types of uses allowed by the comprehensive plan and zoning designations, which include retail, office, or residential. It should be noted, however, that the residential nature of the uses surrounding the Site could have an impact on design flexibility for redevelopment of the Site since any redevelopment will likely have to be compatible with the established residential neighborhoods. Common neighborhood compatibility issues in other redevelopment projects tend to focus on issues such as building architecture, intensity of use, massing, site amenities, and traffic (both customer and delivery vehicles).

The following is a map of the subject Site with nearby land uses labeled.



Site Characteristics

Plymouth Four Seasons Mall Market Study

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600 0 600 Feet

12,300 2009 Existing AADT

12,300 2008 Existing AADT

Source: SRF 2011

April 28, 2011

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Demographic Overview

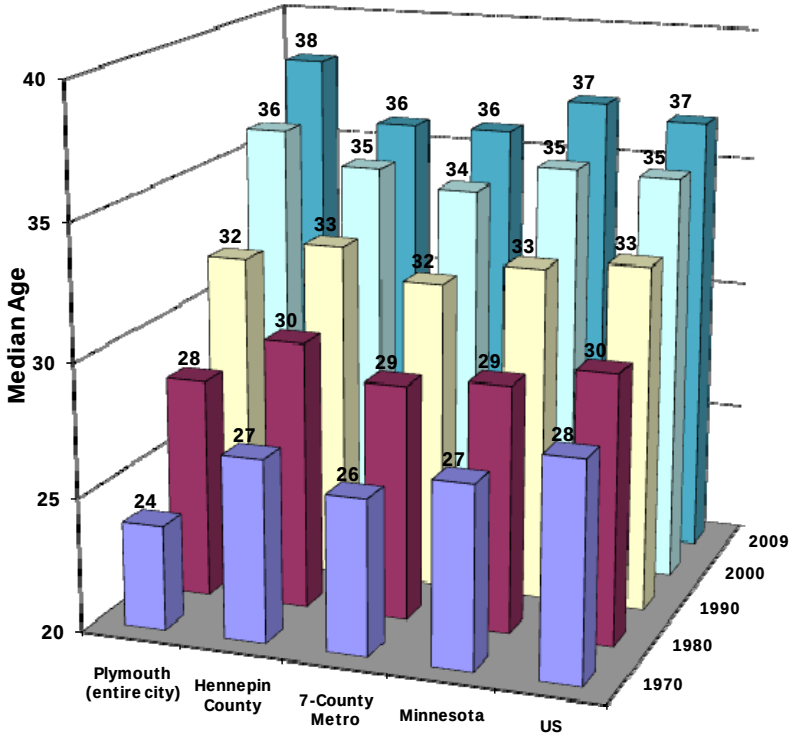
INTRODUCTION

This section analyzes some of the broad, long-range demographic trends that influence the demand for different types of real estate. Subsequent sections will provide more in-depth, demographic data that is specific to a particular land use or a local area of study.

AGE

Although national and regional trends indicate the overall population is aging in most places, this trend is particularly evident in Plymouth. During the 1970s when Plymouth was growing most rapidly and attracting many young homeowners, the community had a median age of 24 years, which is well below that of the region and the nation. Now that Plymouth's rate of growth, especially among younger householders, is slowing appreciably and the amount of space available for new residential development is decreasing, the median age (38 years) has now eclipsed that of the region and the nation. This is a common occurrence in desirable communities where empty nesters remain in their family homes long after the children have moved out because of the strong connections they have to their community and neighborhood. This has important ramifications on the market for new real estate development. Older households have significantly different demands than younger households when it comes to housing, retail, recreation, health care, and institutional uses.

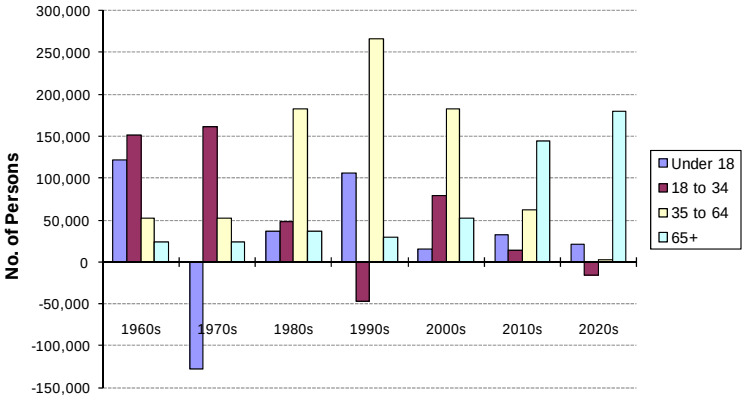
Figure 1: Changes in Median Age, 1970-2009



Source: U.S. Census (1970-2009)

As the Baby Boomers are now entering the retirement years, this trend will continue. Figure 2 illustrates just how dramatically the number of persons aged 65 and older will grow starting in 2010 and continuing for the next two decades.

Figure 2: Net Change in Population by Age Group, 1960-2030
7-County Twin Cities Metro Area

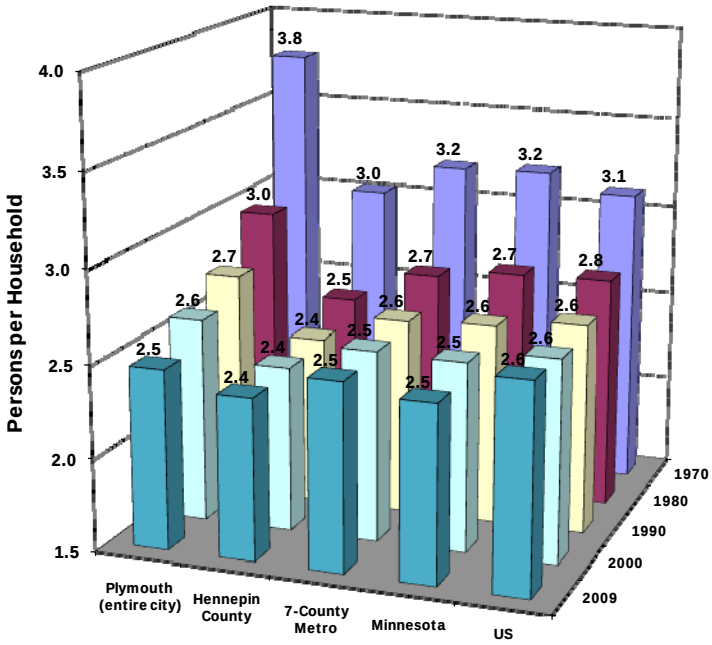


Sources: US Census of Population: 1960-2000; MN Dept. of Admin.: State Demographic Center

HOUSEHOLD SIZE

Household size is closely related to the age of the population as well. Typically, as young children grow up and move out of the house and form their own households, there is a corresponding drop in the size of households as the parents remain in place. Because development in Plymouth was dominated for several decades by the in-migration of young households with children, this effect has been occurring throughout the community creating a sharp drop in household size (Figure 3).

Figure 3: Change in Household Size, 1970 to 2009



Source: U.S. Census (1970-2009)

In 1970, Plymouth was approaching nearly four persons per household which was far above the regional and national rates of just over 3 persons per household. By 2009, household size in Plymouth had dropped to 2.5, which is much more in line with the current regional and national rates.

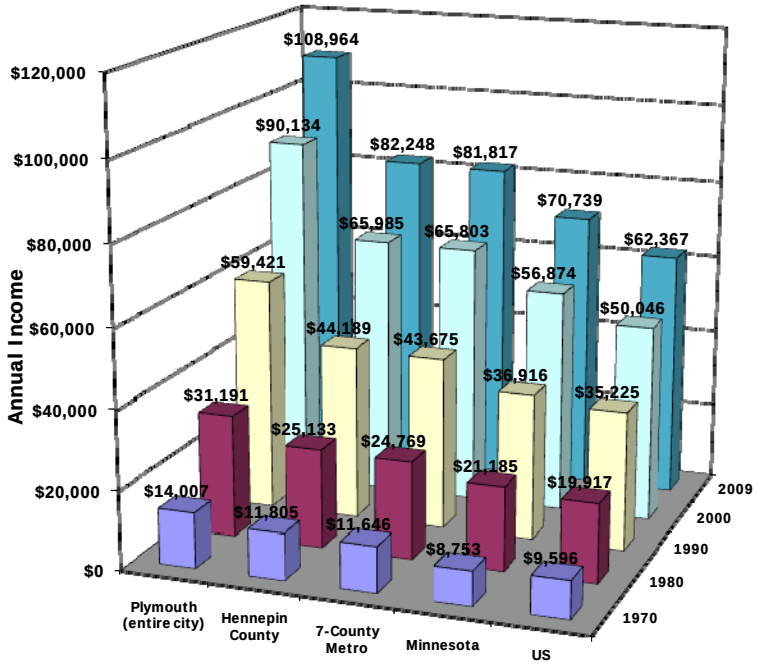
Changes in household size can impact real estate markets in a variety of ways. Fewer individuals in a household decreases the need for household goods and personal services, which can greatly impact certain segments of the retail market. At the same time, if the decrease in household size is due to an aging population, as is the case in Plymouth, the decrease in retail demand is partially offset by the rising needs for healthcare related services.

In the recent recessionary period, anecdotal evidence suggests that household sizes have been rising across the country as more “doubling up” occurs and more adult children move back in with parents in order to deal with financial strains. This is expected to be a temporary impact and therefore is not expected to have many long term market impacts. In fact, as the economy has improved over the past year, there is beginning to be signs in the rental market that this situation is already easing.

INCOME

Plymouth is an affluent community with median family incomes that are substantially above the region, state, and nation (Figure 4). Although this has been the case since 1970, the difference in median income has widened in recent decades. For example, in 1970 the median family income in the Twin Cities Metro area was 83% of the median income in Plymouth. By 2009, the metro area median income had dropped to only 75% of the Plymouth median income. A large part of this can be explained by the fact that Plymouth has a critical mass of households that recently aged through their highest earning years, which are typically between the ages of 45 and 64.

Figure 4: Change in Median Family Income, 1970 to 2009



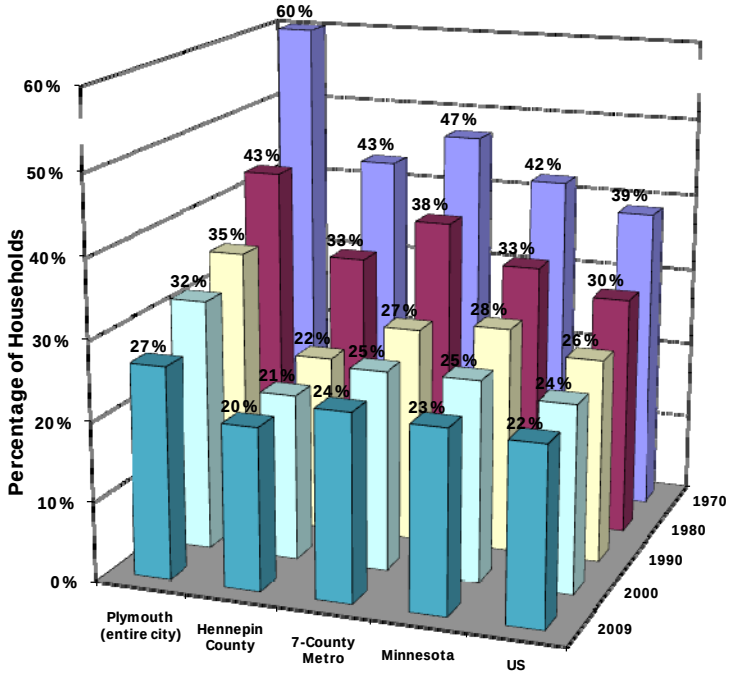
Source: U.S. Census (1970-2009)

As this same group of residents ages into their retirement years, it can be expected that Plymouth's median income relative the region and the state will not remain as high as it has been although it is expected that there will still be substantial wealth in these formerly high income households to supplement retirement income and boost consumption.

HOUSEHOLD TYPE

Since 1970 the proportion of married couple households with children has significantly declined. Figure 5 shows how this trend is consistent throughout all geographic regions, and is also evident in Plymouth where the proportion of married couple households with children has declined from 60% in 1970 to 27% as of 2009. Of course, the transformation of household types can be explained by an aging population, but other factors have influenced this as well, including a sharp uptick in divorce rates during the 1970s, decreased birth rates, and delayed child rearing.

Figure 5: Change in Nuclear Households, 1970 to 2009 (Married Couples with Children)



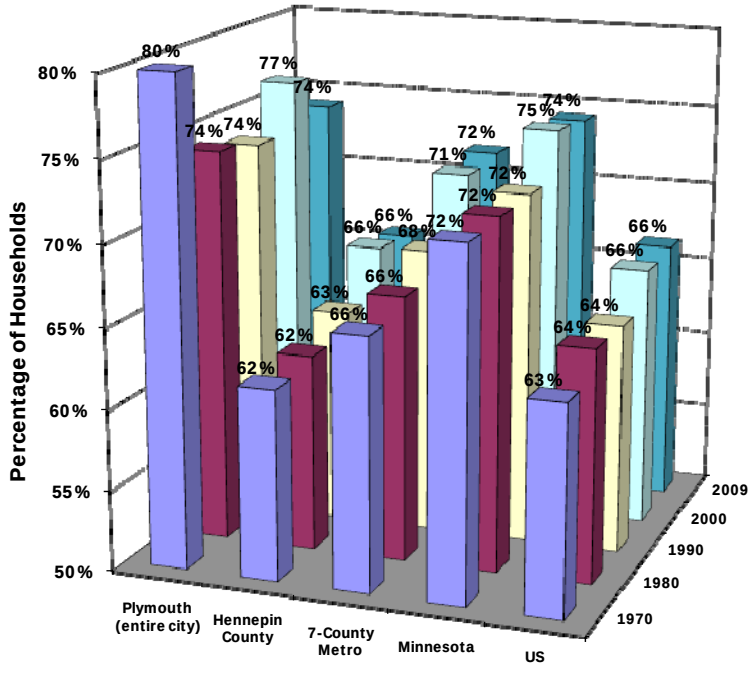
Source: U.S. Census (1970-2009)

HOMEOWNERSHIP

The homeownership rate of a community is dependent on several forces. The primary force is the nature of the housing stock. Single-family structures are overwhelmingly owner-occupied, and communities with a predominance of single-family homes are also typically ones with a high rate of homeownership. During Plymouth's early growth years, single-family homes were the dominant form of housing. As a result, Plymouth's homeownership rate exceeded 80 percent, which was well above the homeownership rate of the region, the state, and the nation (Figure 6). However, as developable land became scarce in subsequent years, Plymouth experienced an increase in the amount of multifamily housing, which resulted in a drop in the homeownership rate. Today, Plymouth is still mostly a community of homeowners, though rental housing is much more prevalent than it used to be.

Homeownership rates, however, can also be influenced by the age of the population. Younger persons who are forming new households often rent their housing as they save for a down payment on the purchase of a house. As young households establish careers and start families they transition into homeownership. Eventually, though, children grow up and leave the home and households often downsize into housing that is more maintenance-free, such as rental apartments, for convenience and/or health reasons. For several years now, Plymouth has been experiencing an increase in multifamily housing driven as much by the demand for senior housing as by the rising cost of developable land.

Figure 6: Change in Homeownership, 1970-2009



Source: U.S. Census (1970-2009)

As we have seen in recent years, homeownership is also influenced by economic recession and the availability of mortgage financing. Since World War II, the national homeownership rate increased every decade. There is some recent evidence, however, suggesting that the collapse of the mid-2000s housing bubble and the resulting foreclosure crisis has reversed this longstanding

trend. If the long-term outcome of the foreclosure crisis is to significantly readjust mortgage standards, it is likely that homeownership will have a higher barrier to entry, which will result in a continued declined in its rate.

Housing Overview

INTRODUCTION

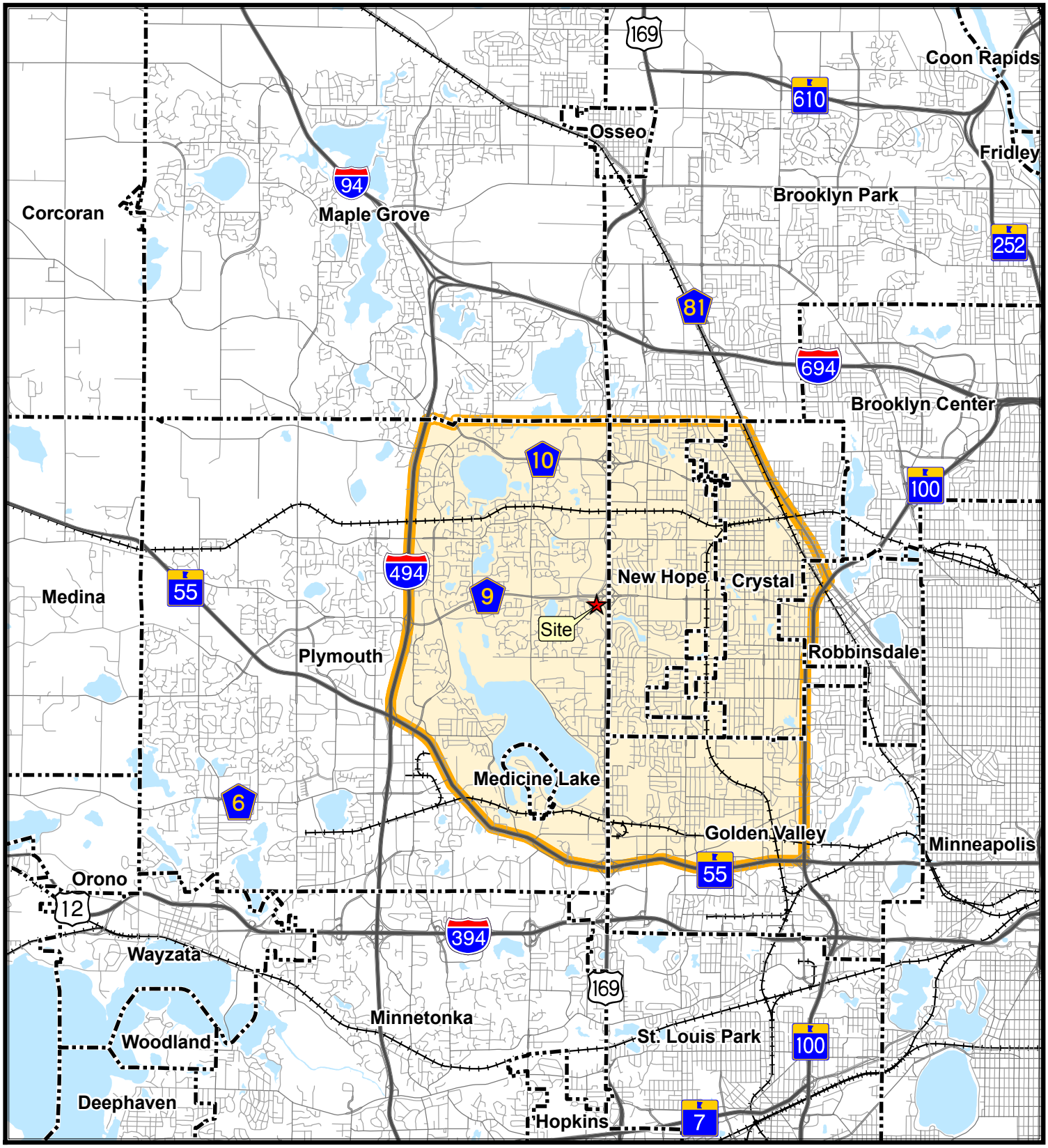
Based on the comprehensive plan guidance, current zoning, the character of the Site, and the surrounding development patterns, analysis of potential housing uses on the Site are being focused on senior housing and other similar types of specialty housing. Although it is beyond the scope of this study to closely analyze the potential for other multifamily housing types on the Site, data has been provided on the broader housing market in order to understand how other product types could influence future redevelopment of the Site. It should be noted, though, that there are nearly 1,000 general-occupancy, market rate apartments located along Lancaster Lane between the Site and 36th Avenue North.

TRADE AREA DEFINITION

Senior housing tends to have a tighter Trade Area compared to other multifamily types (e.g., general-occupancy apartments or condominiums). This is because residents will typically come from nearby neighborhoods in the hope of being able to remain as connected as possible to their existing social networks (e.g., church, doctor, family, friends, familiar shops, etc.). However, psychological barriers are often more important when defining a housing Trade Area versus other types of real estate Trade Areas because where we choose to live is often a more emotional decision than where we decide to shop or locate a business.

Given the above considerations, the Housing Trade Area includes those portions of Plymouth east of I-494 and north of Highway 55, all of New Hope, Crystal west of Highway 81, and northwest Golden Valley. This area would be described as a primary market for senior housing, though one could also argue that there is a secondary market area that would extend to include all of Plymouth, Maple Grove, Robbinsdale, Golden Valley, Crystal, and parts of Brooklyn Park.

Following is a map of the Housing Trade Area for the Site.



Housing Trade Area

Plymouth Four Seasons Mall Market Study

Housing Trade Area

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March 11, 2011

Bonestroo

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TRADE AREA DEMOGRAPHICS

POPULATION AND HOUSEHOLD TRENDS

Tables 1 through 3 display population and household growth trends for the Housing Trade Area for the years 1990 to 2030. The Housing Trade Area encompasses an area that grew rapidly during the 1960s and 1970s and was mostly built out by the 1980s. As a result, population and household growth has been nominal in recent decades with only small increases, or, in some instances, even slight declines. Furthermore, the population and household base is forecast to remain stable over the next 20 years.

Table 1: Population Trends

				Forecasts		Numeric Change				Percentage Change			
	1990	2000	2010	2020	2030	1990s	2000s	2010s	2020s	1990s	2000s	2010s	2020s
Plymouth (pt.)	22,334	26,241	25,892	25,200	24,500	3,907	-349	-692	-700	17.5%	-1.3%	-2.7%	-2.7%
Crystal (pt.)	19,265	18,087	17,896	18,000	18,600	-1,178	-191	104	600	-6.1%	-1.1%	0.4%	3.1%
Golden Valley (pt.)	9,865	9,667	9,753	9,900	10,300	-198	86	147	400	-2.0%	0.9%	1.4%	4.3%
Medicine Lake	385	368	371	400	400	-17	3	29	0	-4.4%	0.8%	-1.3%	-1.3%
New Hope	21,853	20,873	20,339	20,800	21,300	-980	-534	461	500	-4.5%	-2.6%	2.3%	2.3%
Robbinsdale (pt.)	1,975	1,869	1,888	1,900	1,900	-106	19	12	0	-5.4%	1.0%	2.7%	0.6%
Housing Trade Area	**75,677**	**77,105**	**76,139**	**76,200**	**77,000**	**1,428**	**-966**	**61**	**800**	**1.9%**	**-1.3%**	**0.1%**	**1.0%**
Plymouth	50,889	65,894	70,576	76,000	78,500	15,005	4,682	5,424	2,500	29.5%	7.1%	7.7%	3.3%
Hennepin County	1,032,431	1,116,200	1,152,425	1,308,415	1,394,660	83,769	36,225	155,990	86,245	8.1%	3.2%	13.5%	6.6%
7-County Metro Area	2,288,721	2,642,056	2,849,567	3,334,000	3,608,000	353,335	207,511	484,433	274,000	15.4%	7.9%	17.0%	8.2%

Note: "(pt.)" means "part" or "portion" of the city is included in the analysis; specifically the part in the Housing Trade Area.
Sources: US Census; Metropolitan Council; Bonestroo, Inc.

Table 2: Household Trends

				Forecasts		Numeric Change				Percentage Change			
	1990	2000	2010	2020	2030	1990s	2000s	2010s	2020s	1990s	2000s	2010s	2020s
Plymouth (pt.)	8,103	10,046	10,730	10,900	10,900	1,943	684	170	0	24.0%	6.8%	1.4%	0.1%
Crystal (pt.)	7,580	7,536	7,411	7,700	8,000	-44	-125	289	300	-0.6%	-1.7%	4.1%	4.0%
Golden Valley (pt.)	3,931	4,070	4,268	4,400	4,700	139	198	132	300	3.5%	4.9%	2.8%	6.1%
Medicine Lake	169	159	160	200	200	-10	1	40	0	-5.9%	0.6%	0.0%	0.0%
New Hope	8,507	8,665	8,427	8,900	9,100	158	-238	473	200	1.9%	-2.7%	5.5%	2.1%
Robbinsdale (pt.)	829	822	796	800	800	-7	-26	4	0	-0.8%	-3.2%	4.9%	1.5%
Housing Trade Area	**29,119**	**31,298**	**31,792**	**32,900**	**33,700**	**2,179**	**494**	**1,108**	**800**	**7.5%**	**1.6%**	**3.5%**	**2.4%**
Plymouth	18,361	24,820	28,663	31,500	33,500	6,459	3,843	2,837	2,000	35.2%	15.5%	9.9%	6.3%
Hennepin County	419,060	456,129	475,913	551,715	594,045	37,069	19,784	75,802	42,330	8.8%	4.3%	15.9%	7.7%
7-County Metro Area	875,504	1,021,454	1,117,749	1,362,000	1,492,000	145,950	96,295	244,251	130,000	16.7%	9.4%	21.9%	9.5%

Note: "(pt.)" means "part" or "portion" of the city is included in the analysis; specifically the part in the Housing Trade Area.
Sources: US Census; Metropolitan Council; Bonestroo, Inc.

Table 3: Household Size Trends

				Forecasts		Numeric Change				Percentage Change			
	1990	2000	2010	2020	2030	1990s	2000s	2010s	2020s	1990s	2000s	2010s	2020s
Plymouth (pt.)	2.76	2.61	2.41	2.31	2.25	-0.14	-0.20	-0.10	-0.06	-5.2%	-7.6%	-4.2%	-2.8%
Crystal (pt.)	2.54	2.40	2.41	2.34	2.33	-0.14	0.01	-0.08	-0.01	-5.6%	0.6%	-3.2%	-0.5%
Golden Valley (pt.)	2.51	2.38	2.29	2.25	2.19	-0.13	-0.09	-0.04	-0.06	-5.4%	-3.8%	-1.5%	-2.6%
Medicine Lake	2.28	2.31	2.32	2.00	2.00	0.04	0.00	-0.32	0.00	1.6%	0.2%	-13.7%	0.0%
New Hope	2.57	2.41	2.41	2.34	2.34	-0.16	0.00	-0.08	0.00	-6.2%	0.2%	-3.2%	0.2%
Robbinsdale (pt.)	2.38	2.27	2.37	2.38	2.38	-0.11	0.10	0.00	0.00	-4.6%	4.3%	0.1%	0.0%
Housing Trade Area	**2.60**	**2.46**	**2.39**	**2.32**	**2.28**	**-0.14**	**-0.07**	**-0.08**	**-0.03**	**-5.2%**	**-2.8%**	**-3.3%**	**-1.3%**
Plymouth	2.77	2.65	2.46	2.41	2.34	-0.12	-0.19	-0.05	-0.07	-4.2%	-7.3%	-2.0%	-2.9%
Hennepin County	2.46	2.45	2.42	2.37	2.35	-0.02	-0.03	-0.05	-0.02	-0.7%	-1.0%	-2.1%	-1.0%
7-County Metro Area	2.61	2.59	2.55	2.45	2.42	-0.03	-0.04	-0.10	-0.03	-1.1%	-1.4%	-4.0%	-1.2%

Note: "(pt.)" means "part" or "portion" of the city is included in the analysis; specifically the part in the Housing Trade Area.
Sources: US Census; Metropolitan Council; Bonestroo, Inc.

AGE DISTRIBUTION

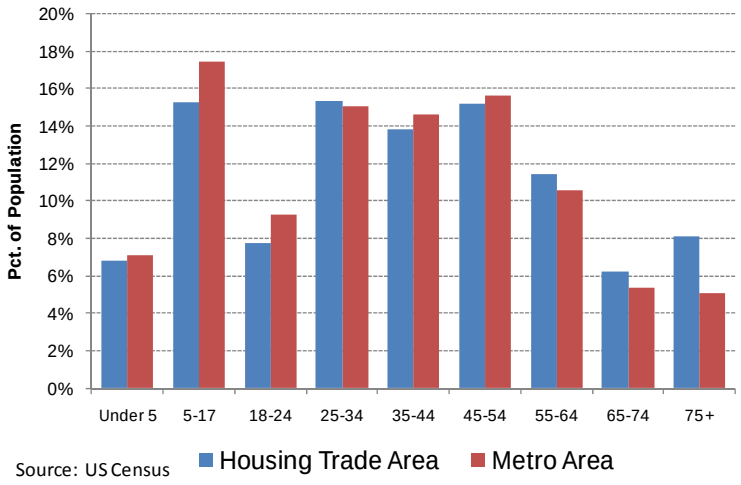
Like most places, the population of the Housing Trade Area has been aging in recent years. However, there can be significant subtleties in the interpretation of aging statistics. For instance, Table 4 indicates that although the Trade Area consistently had higher than County and Metro proportions of persons aged 65 and older, there are significant differences between those over and under the age of 75. In the Trade Area, the number of elderly persons between 64 and 74 years of age actually saw a decline over the past decade, although this decline was offset by the gains in the 75 and older category. This can be an important distinction since the housing needs differ greatly between those two age categories.

Table 4: Age Distribution

	Housing Trade Area				Hennepin County				7-County Metro Area			
Age Group	2000	2010	Change	Pct.	2000	2010	Change	Pct.	2000	2010	Change	Pct.
Under 5	4,884	5,198	314	6.4%	73,261	80,838	7,577	10.3%	188,236	202,765	14,529	7.7%
5 to 17	12,737	11,618	-1,119	-8.8%	194,241	181,632	-12,609	-6.5%	509,298	496,353	-12,945	-2.5%
18 to 24	5,814	5,877	63	1.1%	108,767	107,271	-1,496	-1.4%	244,226	263,085	18,859	7.7%
25 to 34	11,365	11,682	317	2.8%	183,860	192,550	8,690	4.7%	411,155	428,018	16,863	4.1%
35 to 44	13,202	10,542	-2,660	-20.1%	191,872	163,447	-28,425	-14.8%	469,324	416,139	-53,185	-11.3%
45 to 54	11,188	11,585	397	3.5%	156,068	175,025	18,957	12.1%	363,592	444,590	80,998	22.3%
55 to 64	7,278	8,706	1,428	19.6%	85,773	124,391	38,618	45.0%	200,980	301,865	100,885	50.2%
65 to 74	5,231	4,746	-485	-9.3%	59,737	62,291	2,554	4.3%	130,615	153,286	22,671	17.4%
75 and Older	5,406	6,184	778	14.4%	62,621	64,979	2,358	3.8%	124,630	143,465	18,835	15.1%
Total	77,105	76,139	-966	-1.3%	1,116,200	1,152,425	36,225	3.2%	2,642,056	2,849,567	207,511	7.9%
Distribution	2000	2010	Change		2000	2010	Change		2000	2010	Change	
Under 5	6.3%	6.8%	0.5%		6.6%	7.0%	0.5%		7.1%	7.1%	0.0%	
5 to 17	16.5%	15.3%	-1.3%		17.4%	15.8%	-1.6%		19.3%	17.4%	-1.9%	
18 to 24	7.5%	7.7%	0.2%		9.7%	9.3%	-0.4%		9.2%	9.2%	0.0%	
25 to 34	14.7%	15.3%	0.6%		16.5%	16.7%	0.2%		15.6%	15.0%	-0.5%	
35 to 44	17.1%	13.8%	-3.3%		17.2%	14.2%	-3.0%		17.8%	14.6%	-3.2%	
45 to 54	14.5%	15.2%	0.7%		14.0%	15.2%	1.2%		13.8%	15.6%	1.8%	
55 to 64	9.4%	11.4%	2.0%		7.7%	10.8%	3.1%		7.6%	10.6%	3.0%	
65 to 74	6.8%	6.2%	-0.6%		5.4%	5.4%	0.1%		4.9%	5.4%	0.4%	
75 and Older	7.0%	8.1%	1.1%		5.6%	5.6%	0.0%		4.7%	5.0%	0.3%	
Total	100.0%	100.0%	0.0%		100.0%	100.0%	0.0%		100.0%	100.0%	0.0%	

Source: US Census

Figure 7: Age Distribution of the Housing Trade Area, 2010

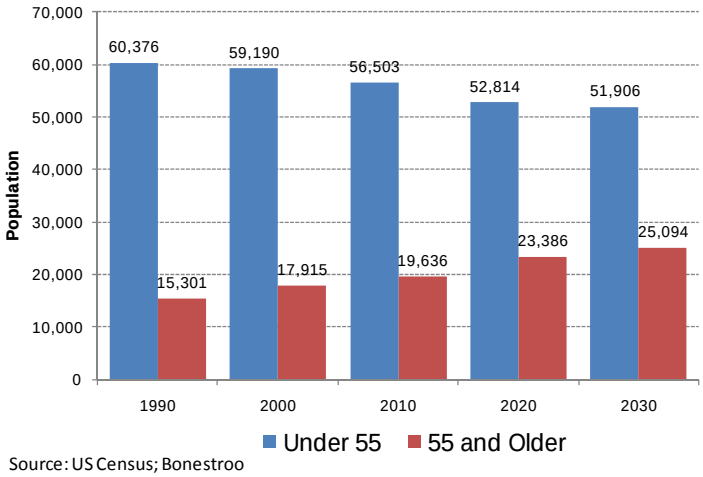


Source: US Census

Although the Trade Area already has an older age profile compared to the metro area (Figure 7), the number of persons age 55 and older is still forecasted to continue to grow substantially (Figure 8) due to the aging Baby Boomers. Between 2010 and 2030, the number of persons age

55 or older in the Trade Area will increase by nearly 5,500. Meanwhile, the population under age 55 will decrease by more than 4,500.

Figure 8: Forecasted Population Growth by Age



Source: US Census; Bonestroo

HOUSEHOLD TYPE

The household profile of the Trade Area tends to mirror that of the metro area with a similar distribution of family and non-family households (Table 5 and Figure 9). This can be attributed to the Trade Area's diversity of different housing options, including single-family homes, rental apartments, and senior housing.

Table 5: Household Type

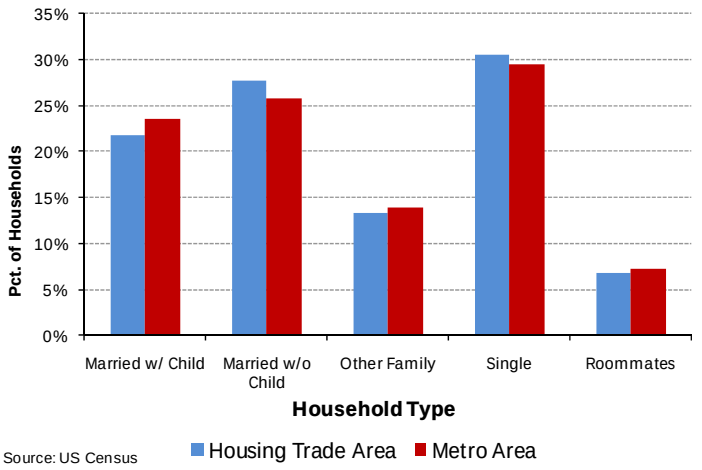
	Total HH's		Family Households						Non-Family Households			
			Married w/ child		Married no child		Other*		Living Alone		Roommates	
	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010
Number of Households												
Housing Trade Area	31,298	31,792	7,159	6,906	9,365	8,812	3,896	4,250	8,614	9,672	2,264	2,151
Hennepin County	456,129	475,913	95,469	97,066	111,018	112,117	60,816	66,055	145,086	159,226	43,740	41,449
7-County Metro Area	1,021,454	1,117,749	256,655	263,134	263,626	288,372	137,878	155,491	281,086	329,283	82,209	81,468
Percent of Total												
Housing Trade Area	100%	100%	22.9%	21.7%	29.9%	27.7%	12.4%	13.4%	27.5%	30.4%	7.2%	6.8%
Hennepin County	100%	100%	20.9%	20.4%	24.3%	23.6%	13.3%	13.9%	31.8%	33.5%	9.6%	8.7%
7-County Metro Area	100%	100%	25.1%	23.5%	25.8%	25.8%	13.5%	13.9%	27.5%	29.5%	8.0%	7.3%

	Change 1990-2000											
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Housing Trade Area	494	1.6%	-253	-3.5%	-553	-5.9%	354	9.1%	1,058	12.3%	-113	-5.0%
Hennepin County	19,784	4.3%	1,597	1.7%	1,099	1.0%	5,239	8.6%	14,140	9.7%	-2,291	-5.2%
7-County Metro Area	96,295	9.4%	6,479	2.5%	24,746	9.4%	17,613	12.8%	48,197	17.1%	-741	-0.9%

* Single-parent families, adult children, adult siblings, etc.

Source: US Census

Figure 9: Household Type 2010



Source: US Census

INCOME

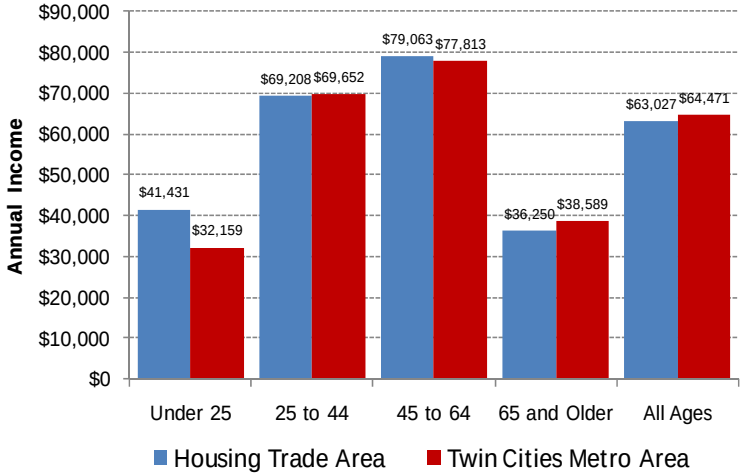
The Housing Trade Area has a median income that is slightly below the metro area median (Table 6 and Figure 10). More importantly, though, it appears that incomes have not been keeping apace with those of the metro area. From 2000 to 2010, households age 65 and older in the Trade Area saw incomes increase just over 11%, while this same age group at the metro level had increased more than 23%. This difference in the rate of income change is partly due to the fact that the Trade Area population is skewed more toward the 75 and older group, which generally has much lower incomes than the 65 to 74 age group.

Table 6: Median Household Income by Age Group, 2000 and 2010

	Housing Trade Area			Hennepin County			7-County Metro Area		
	2000	2010	Change	2000	2010	Change	2000	2010	Change
Households under 25	$40,867	$41,431	1.4%	$27,545	$28,543	3.6%	$29,818	$32,159	7.9%
Households 25-44	$59,259	$69,208	16.8%	$55,706	$66,539	19.4%	$58,616	$69,652	18.8%
Households 45-64	$70,744	$79,063	11.8%	$66,917	$75,897	13.4%	$67,861	$77,813	14.7%
Households 65+	$32,543	$36,250	11.4%	$32,114	$38,639	20.3%	$31,233	$38,589	23.6%
All Households	$55,181	$63,027	14.2%	$52,246	$61,695	18.1%	$54,807	$64,471	17.6%

Source: US Census

Figure 10: Median Household Income by Age Group, 2010



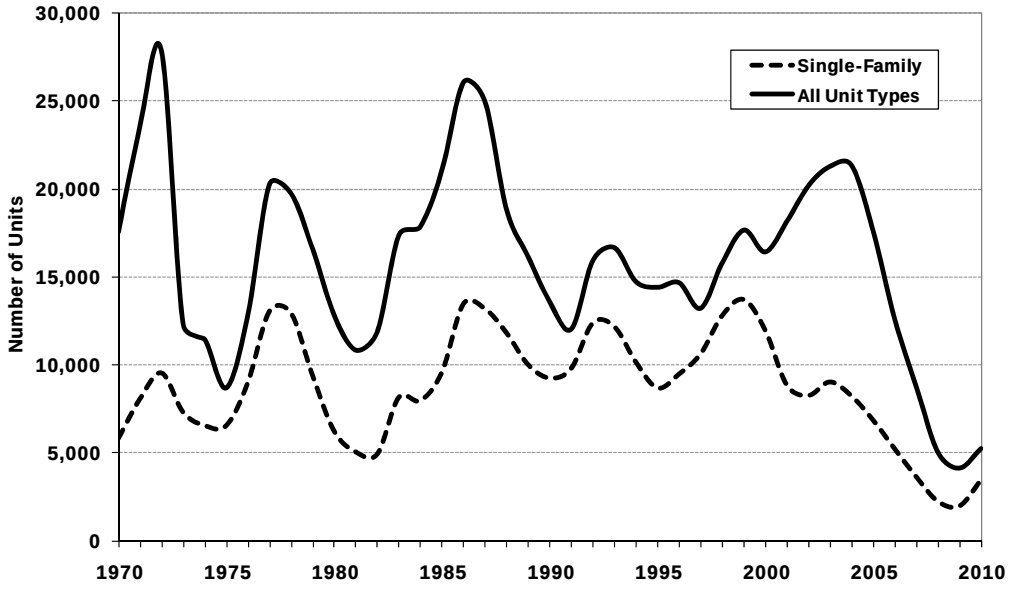
Source: US Census

RESIDENTIAL CONSTRUCTION TRENDS

The Twin Cities metro area has experienced a number of housing booms and busts over the last 40 years (Figure 11). However, none of the previous busts have been as severe as the current one. In 2009, fewer than 5,000 new units were permitted for construction in the metro area. This compares to recent peaks of 20,000 and 21,500 in 2003 and 2004, respectively. Although the current slowdown in residential development is pressing, other recent trends bear mentioning as well, most notably being the shift to develop more attached forms of housing, such as twinhomes, townhomes, and apartments.

Throughout most of the 1990s, single-family homes dominated residential development. This was generally the result of low transportation costs, lack of land zoned for multifamily housing, property tax rates that penalized development of rental apartments, and modest rates of price appreciation, which maintained affordability. However, as homes prices rose quickly in the early 2000s, an increasing number of households reached retirement age, and gasoline prices spiked upward, attached forms of housing located centrally to jobs, retail, and healthcare became more prevalent.

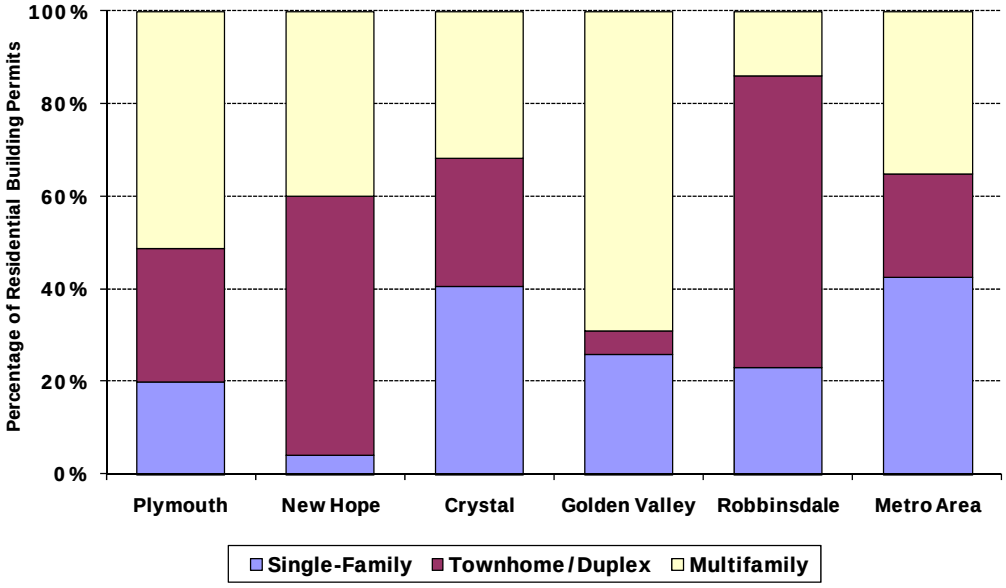
Figure 11: Housing Units Permitted for Construction
7-County Twin Cities Metro Area 1970-2010



Source: Metropolitan Council

This was especially true in cities that comprise the Housing Trade Area. In the Trade Area, nearly 80 percent of the homes built between 2001 and 2010 were attached in some form or another (Figure 12 on the following page).

Figure 12: Residential Development by Type 2001-2010



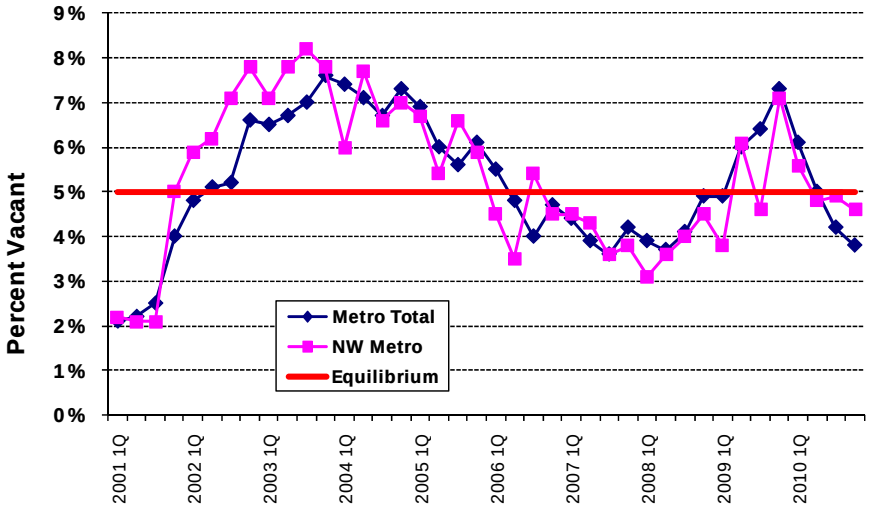
Source: Metropolitan Council

Rental Market

The apartment market is beginning to rebound after a period of high unemployment and lackluster job growth temporarily softened the rental market (Figure 13).

The overall vacancy rate in the Northwest metro area dropped from a peak of 7.1 percent in 2009 to 4.6 percent as of 4th quarter 2011. This recent strengthening in the market means that the vacancy rate is now below 5.0 percent, indicating that there is pent-up demand in the market and new market rate development could very well be supported.

Figure 13: Twin Cities Apartment Vacancy Rates 2001-2010



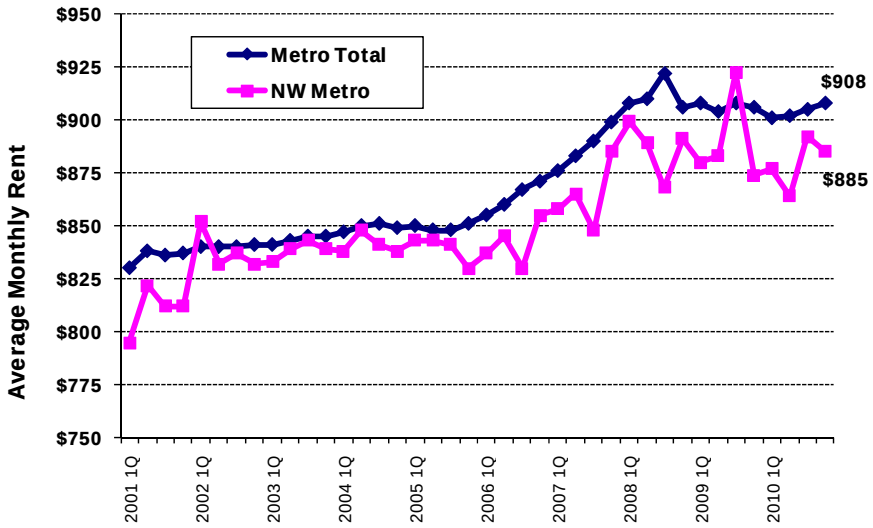
Source: GVA Marquette Advisors, Apartment Trends

The average monthly rent in the Northwest metro increased nearly $100 between 2006 and 2009 (Figure 14 on the following page). Since 2009, though, average rents have declined somewhat, but appear to be stabilizing at just below $900 per month. Close attention should be paid to apartment vacancies and rents. Typically, declines in vacancy precede increases in rent. Once rents increase enough, this will place pressure on the market to develop new rental housing and there are already reports of several rental projects throughout the Metro Area in predevelopment as well as active construction in select locations that are largely close to large employment centers.

It should be noted, though, that some of the demographic trends mentioned earlier regarding homeownership rates may profoundly impact the apartment market. Evidence appears to be growing that younger age groups are not embracing homeownership the way previous generations did. First, mortgage standards have returned to more stringent levels where the barrier to entry is much higher due to substantially larger down payments that are required on the part of banks. Second, with housing no longer appreciating at even modest levels the nest egg that so many previous generations created through homeownership is no longer seen as attainable. Third, for younger households vulnerable to high unemployment rates, homeownership can be viewed as reducing employment flexibility which further depresses demand. As a result, younger households are starting to choose rental housing as a preferred

arrangement rather than a temporary situation prior to homeownership. If these trends persist or become deeply established, the demand for rental housing could increase in the coming years. These trends, however, are difficult to predict because of the large impact Federal policies have on homeownership. For instance, if the Federal government revamps Fannie Mae and Freddie Mac, the two big institutions that help support homeownership, in a way that help loosen lending standards, homeownership may again regain its value to younger generations.

Figure 14: Twin Cities Average Apartment Rents 2001-2010

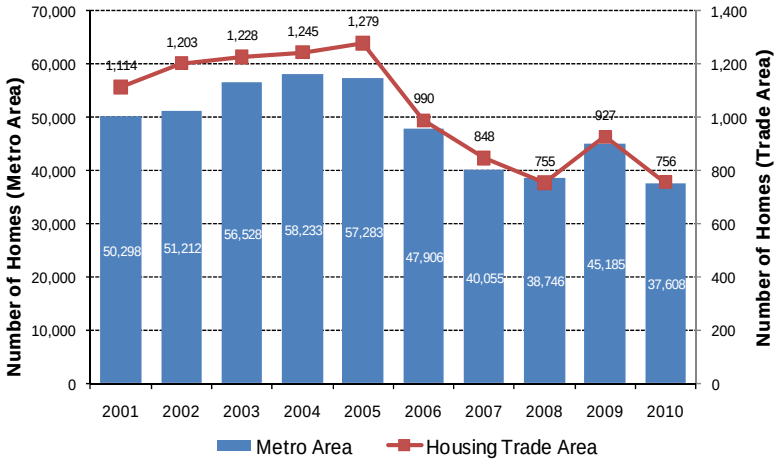


Source: GVA Marquette Advisors, Apartment Trends

For-Sale Market

After nearly 10 years of unprecedented growth, the for-sale home market has dramatically weakened in recent years. Between 2004 and 2008, the number of homes sold through the MLS has declined each year with pronounced drops in 2006 and 2007 (Figure 15). However, after years of declining sales, 2009 saw a substantial increase in sales due to the Federal stimulus program that provided a substantial tax credit to first-time home buyers. However, in the wake of the Federal stimulus program, sales declined yet again to rates not experienced in over a decade.

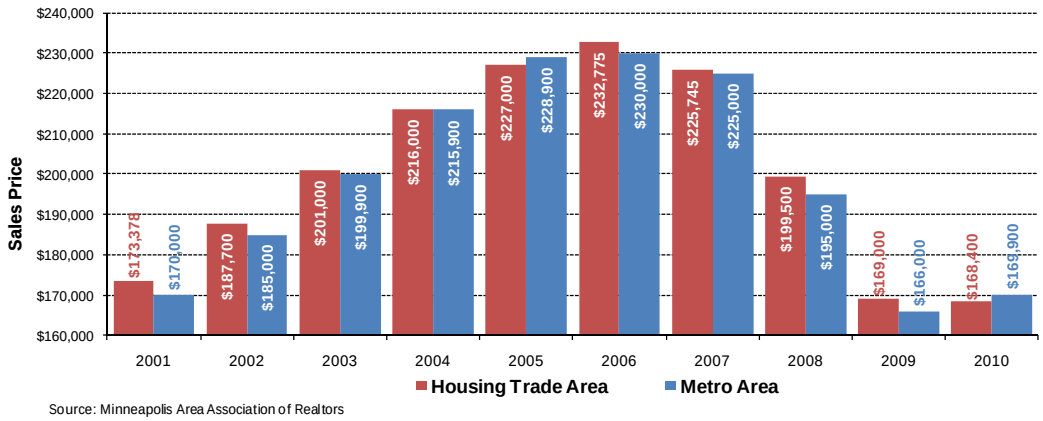
Figure 15: Homes Sold 2002-2010



Source: Minneapolis Area Association of Realtors

More importantly, though, the impact of foreclosures is still evident as median sales price continues to decline and is now off nearly 25 percent from its peak in 2006 (Figure 16). The causes of the soft market are varied and complex. However, over-construction encouraged by lax lending standards has been a clear root cause. Until much of the oversupply is absorbed, it appears the for-sale market will continue to be soft. Excess supply is slowly being absorbed, which will stabilize the balance between supply and demand and eventually lead to price increases.

Figure 16: Median Sales Price 2001-2010



Source: Minneapolis Area Association of Realtors

CONDOMINIUM MARKET

Although the for-sale housing market has been showing recent signs of market stabilization, we believe that the suburban condominium market is still many years away from being able to support a large new development located on the subject Site. Demand for condominium housing located in suburban areas will likely remain weak due to the glut of vacant units at recently developed projects and the deep price reductions of units at older condominium properties.

Successful condominium development, especially in suburban locations, is often tied to high-amenity sites with impressive views or outstanding access to upscale shopping or employment areas. Although we believe the site has many advantages and could be developed with some high amenity areas through good design, the number of condominium units that could be supported at this location would be very small and other locations in Plymouth and the Metro Area will likely be able to leverage more significant amenities and be more attractive to condominium developers when the market returns.

Senior Housing

INTRODUCTION

Senior housing is a concept that generally refers to the integrated delivery of housing and services to seniors. Senior housing embodies a wide variety of product types across the service-delivery spectrum, from independent apartments and/or townhomes with virtually no services on one end, to highly specialized, service-intensive, assisted living units or housing geared for persons with dementia-related illnesses (termed "memory care"). In general, independent senior housing attracts persons age 65 and over while assisted living attracts persons age 80 and older who need assistance with activities of daily living (ADLs), such as dressing, showering and grooming.

The least service-intensive buildings, also termed “active adult” or “adult” projects, are similar to general occupancy housing, offering virtually no support services or health care, but restricting tenancy to those ages 55 and over. Historically, these projects have primarily been rental properties, but in recent years ownership models, including cooperative and condominium arrangements, have greatly expanded the market. The next level up on the service-delivery spectrum is independent living with services, also known as congregate care. These projects offer support services such as meals and housekeeping, either included in the rent or a-la-carte so that residents can choose whether or not to pay for the services.

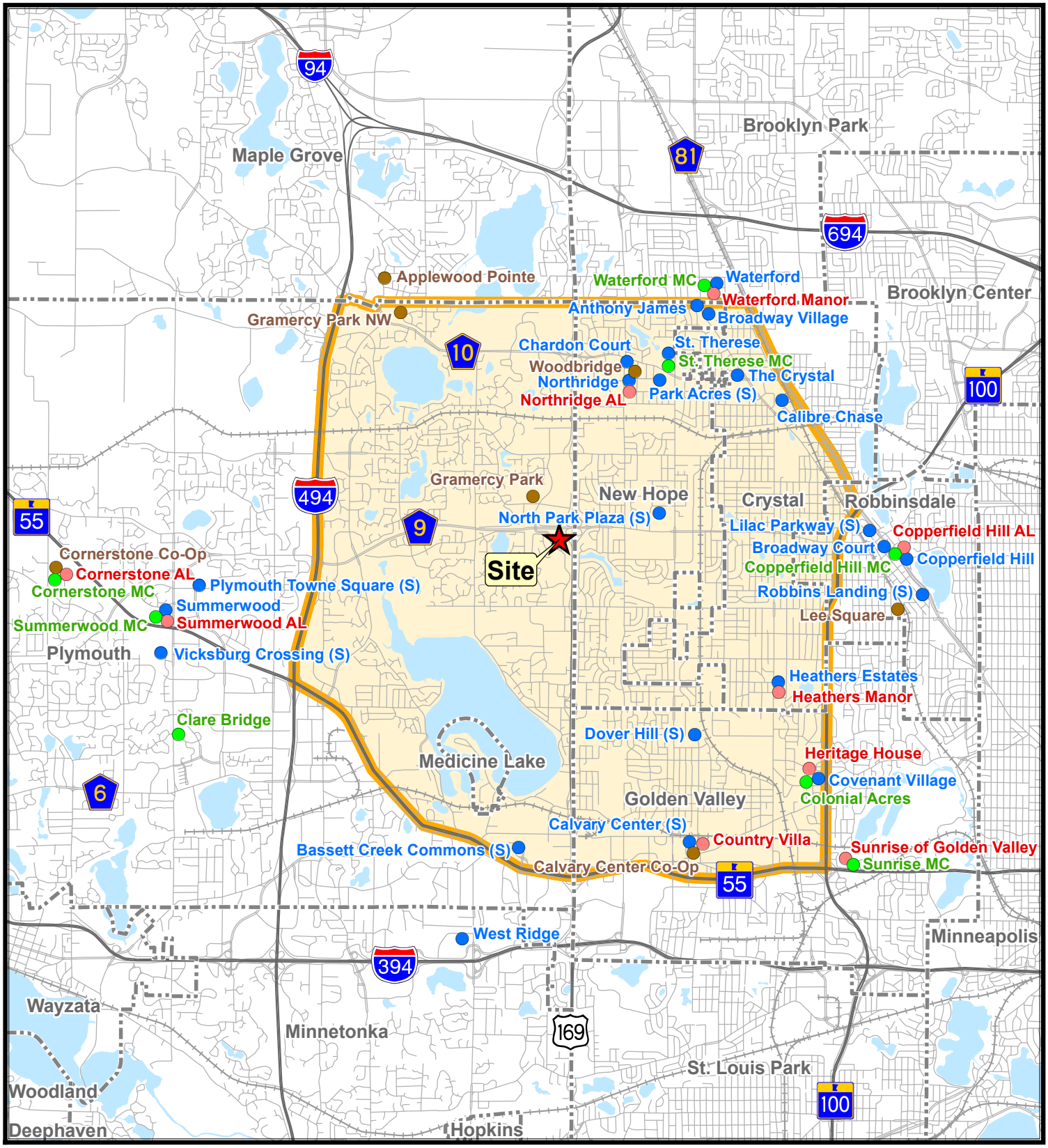
The most service-intensive product types, assisted living and memory care, offer the highest level of services short of a nursing home. Typical services covered in the fee for both of these product types include all meals, housekeeping, linen changes, personal laundry, 24-hour emergency response, and a wide range of personal care and therapeutic services (either built into the fee or a-la-carte). Sponsorship by a nursing home, hospital or other health care organization is common for assisted living and memory care projects (as well as for many congregate/service-intensive projects).

SENIOR HOUSING PROPERTIES

The map on the following page and Table 7 displays the full range of market rate senior housing options in and near the Housing Trade Area broken down by level of service.

There are 32 projects listed in Table 7; combined they provide over 3,900 units of housing. Nearly half of those units (2,050), however, are actually located within the Housing Trade Area. Moreover, just over 600 are located within two miles of the subject site. Of those, two properties are cooperatives, two properties are independent living with services, and one property features assisted living.

Although there is a wealth of senior housing options in and near the Housing Trade Area, there are important points to make about the nature of the competition. First, this submarket has a large number of older projects that were converted from general-occupancy apartments to age-restricted apartments a number of years ago. These properties, though they satisfy a critical need in the marketplace, are verging on being obsolete and many do not offer the kinds of designs, features, and amenities desired by today’s senior housing market. Therefore, it is possible that despite the number of seemingly competitive properties, there is an opportunity to introduce a new product that would appeal to a different market niche that better serves today’s



Senior Housing Facilities

Plymouth Four Seasons Mall Market Study

- Cooperative/Condominium
- Independent Living / (S) = Subsidized
- Assisted Living
- Memory Care
- Housing Trade Area

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Table 7: Senior Housing Facilities in and near Housing Trade Area

Project Name	Location	Year Opened	Number of Units	Distance to Site (mi.)	Part of a Campus	Within Trade Area
Subsidized Properties						
Plymouth Towne Square	Plymouth	1994	99	4		
Bassett Creek Commons	Plymouth	1998	45	3		X
Calvary Center	Golden Valley	1981	80	5	X	X
Dover Hill	Golden Valley	1975	122	2.75		X
Lilac Parkway	Robbinsdale	1990	48	3.5		
North Park Plaza	New Hope	1981	105	1	X	X
Park Acres	New Hope	1979	35	2.25		X
Robbins Landing	Robbinsdale	1976	110	3.75		
			644			
Owner-Occupied Senior Housing						
Gramercy Park of Plymouth	Plymouth	1999	56	0.25		X
Cornerstone Co-op	Plymouth	2000	77	5.25	X	
Gramercy Park Northwest	Plymouth	2002	55	4		X
Lee Square	Robbinsdale	1985	123	4		
Calvary Center Cooperative	Golden Valley	1983	118	5		
Applewood Pointe	Maple Grove	2005	85	4		
Woodbridge	New Hope	2005	78	2		
			592			
Independent Living without Services						
Vicksburg Crossing	Plymouth	2006	96	4.75		
Anthony James	New Hope	1986	73	4		X
Broadway Village[1]	New Hope	1968	202	4		X
Broadway Court	Robbinsdale	2000	57	3.5		
Waterford	Brooklyn Park	1993	144	4.25	X	
Wateford Townhomes	Brooklyn Park	2000	24	4.25	X	
West Ridge	Minnetonka	1998	106	5		
Calibre Chase	Crystal	1988	76	4.5		X
The Crystal	Crystal	1986	39	4.25		X
Heathers Estates	Crystal	2000	136	4	X	X
			953			
Independent Living with Services						
Summerwood of Plymouth	Plymouth	2003	68	4.5	X	
Covenant Village	Golden Valley	1980	249	5	X	X
Chardon Court	New Hope	1985	129	2		X
Northridge Apartments	New Hope	1983	180	1.75	X	X
Copperfield Hill	Robbinsdale	1987	157	3.75	X	
St. Therese of New Hope	New Hope	1979	220	2.5	X	X
			1003			
Assisted Living						
Cornerstone	Plymouth	2004	84	5.25	X	
Summerwood of Plymouth	Plymouth	2003	28	4.5	X	
Northridge Assisted Living	New Hope	1983	25	1.75	X	X
Heathers Manor	Crystal	2001	77	4	X	X
Copperfield Hill	Robbinsdale	1993	87	3.75	X	
Waterford Manor	Brooklyn Park	2000	65	4.25	X	
Country Villa	Golden Valley	1997	58	5		X
Sunrise of Golden Valley	Golden Valley	2006	56	5.5	X	
Heritage House	Golden Valley	1984	16	5	X	X
			496			
Memory Care						
Cornerstone	Plymouth	2004	28	5.25	X	
Copperfield Hill	Robbinsdale	1990	7	3.75	X	
Waterford Manor	Brooklyn Park	2000	5	4.25	X	
Clarebridge of Plymouth	Plymouth	1998	52	5		
Summerwood of Plymouth	Plymouth	2003	24	4.5	X	
Sunrise of Golden Valley	Golden Valley	2006	35	5.5	X	
Colonial Acres	Golden Valley	2000	26	5	X	X
St. Therese of New Hope	New Hope	2005	48	2.5	X	X
			225			

[1] Converted to senior in 1988; an additional 50 units are available to non-seniors
Source: Bonestroo, Inc.

consumer, which may also draw residents from existing properties that are living there because of the lack of a more modern alternative.

Second, there is an interesting lack of assisted living and memory care facilities that are actually located somewhat proximate to the subject Site. This is important because assisted living and memory care have been the strongest performing senior housing concepts in recent years. This is partly due to demand brought on by demographic factors. However, it also has to do with the nature of assisted living and memory care, which is need driven housing, and thus somewhat resistant to the effects of recession. Independent living options, in contrast, are fundamentally a lifestyle choice. Therefore, given the dramatic drop in housing values in recent years, many active seniors are choosing to remain in their homes in hopes of recouping some of the housing value losses of the past several years.

PENDING SENIOR HOUSING

Bonestroo contacted the Plymouth Housing Manager to learn if there are any proposed senior housing developments that may impact the market in coming years. Although there are continual discussions with developers regarding possible senior housing projects in Plymouth, there are two projects that appear to have the most potential.

The most likely project is Trillium Woods being developed by Life Care Services. This is an upscale continuum of care retirement community that guarantees health care and other services through a resident's stay. The project has been marketing units for several years and is nearing the minimum threshold of deposits that will trigger construction of the first phase. Based on the conceptual renderings, this project will have a very high degree of finish and design and will compete with some of the most exclusive retirement communities in the Twin Cities. However, because of its high level of amenity, including a large campus, this project would likely not compete directly with any senior housing located on the subject Site.

The second possible project would be developed by the Shelter Corporation on the site of the Plymouth Shopping Center. This project, if it moves forward, would likely consist of a combination of independent living and assisted living. However, according to the Plymouth Housing Manager, this project is very conceptual at this point and, like other similar projects at this phase of development, may never move forward. If it did, however, it would have the potential of competing directly with a similarly positioned project on the subject Site.

SENIOR HOUSING DEMAND CALCULATIONS

Bonestroo has reviewed forecasted population and household growth figures by age group and applied them to industry standards used to measure acceptable capture and penetration rates for senior housing.

According to the demand calculation for independent senior housing (Table 8), it appears that there is a glut in the supply of senior housing. Moreover, despite significant growth in the size of the target market over the next 10 years, the apparent glut of supply remains. However, as previously noted, there is a great deal of older, somewhat obsolete product in the Trade Area that is skewing the calculation. Nonetheless, caution should clearly be exhibited if plans for an independent living project were put forward for the subject Site. In order for the project to succeed, it would clearly need to differentiate itself from the competition, either through amenity built into the project itself or amenity that would be achieved by a unique setting with a wide variety of complementary uses desired by today's seniors.

Table 8: Calculated Demand for Independent Senior Housing

		2010		2020	
		Age 65-74	Age 75+	Age 65-74	Age 75+
Households		2,899	3,948	4,233	4,280
Penetration Rate[1]	x	6%	19%	7%	21%
Demand from Study Area Households	=	174	750	296	899
Demand from Outside Study Area (20%)	+	43	188	74	225
Total Potential Demand	=	217	938	370	1,123
		1,155		1,494	
Existing Units (less)	-	1,802		1,802	
Estimated Trade Area Need	=	-647		-308	

[1] Penetration rate is the proportion of households willing to live in an age-restricted environment
Source: Bonestroo

In contrast, the demand calculation for assisted living suggests that demand currently exceeds supply in the study area (Table 9). Furthermore, the forecasted growth of target market households will increase the level of demand by 2020 if no additional units are built in the Trade Area.

Table 9: Calculated Demand for Assisted Living

		2010	2020
Households Age 75 and older		3,948	4,280
Income-Qualified Households (35%)		1,382	1,498
Households Requiring Assistance (30%)		415	449
Proportion Likely to Remain in Study Area (50%)		207	225
Existing Units (less)	-	176	176
Estimated Trade Area Need	=	31	49

Source: Bonestroo

Similar to assisted living, it appears that the demand for memory care housing in the study area exceeds supply (Table 10).

Table 10: Calculated Demand for Memory Care Housing

		2010		2020	
		Age 65-74	Age 75+	Age 65-74	Age 75+
Number of Persons		4,746	6,184	6,929	6,703
Incidence of Dementia	x	3%	25%	3%	25%
Estimated Population with Dementia	=	142	1,540	208	1,669
		1,682		1,877	
Proportion Needing Memory Care Housing (25%)		421		469	
Proportion Income-Qualified (30%)		126		141	
Proportion Likely to Remain in Study Area (65%)		82		92	
Existing Units (less)	-	74		74	
Estimated Trade Area Need	=	8		18	

Source: Bonestroo

SENIOR HOUSING SUMMARY

INDEPENDENT LIVING:

Projects that cater to younger, active seniors have been hard hit by the recession due to declining home prices that has reduced their ability to sell their current houses. Since this target market is still relatively healthy, the decision to relocate to an age-restricted community has more to do with lifestyle than a need-driven situation. Therefore, in a declining housing market, these households are apt to delay the decision to move until home prices increase.

This is especially true of properties in which there is no continuum of care. Independent living projects that are part of a continuum of care have been able to mitigate the impact of declining home prices by also appealing to those who desire the security and certainty of access to care as they age-in-place. Freestanding facilities, without this continuum of care, have struggled to maintain occupancies or in the case of newer properties struggle to absorb units in a timely manner. The silver living to this grey cloud is that growth in the overall size of the target market is forecasted to increase dramatically during the next 10 years with the aging of the Baby Boomer generation. Therefore, as home prices begin to rise and target households gain confidence, there will likely be substantial pent up demand among those who are interested in moving, but have simply delayed the decision due to broader housing market conditions.

For this Site, it is anticipated that the independent living market demand is between 60 and 80 units. However, this market is likely not going to develop until after 2015 and we would recommend that any attempt to develop a large number of independent living units should be developed as part of a continuum of care concept.

ASSISTED LIVING:

To some degree, the decline in home prices over the last three years has also affected the assisted living market. For many households, paying for the cost of assisted living is dependent on the sale of a home. Therefore, declining home prices has resulted in many families choosing to pitch-in and help aging parents and grandparents cope with activities of daily living instead of moving them to an assisted living facility. This dynamic has contributed to higher vacancy rates among assisted living facilities, especially in sub-markets where the facility draws primarily from families with modest incomes. However, this situation is usually anticipated to be temporary due to the current recession and eventually give way to a situation of pent-up demand.

For this Site, it is anticipated that the assisted living market demand is between 25 and 50 units. The assisted living market is strong enough to develop a standalone facility. However, assisted living units would also perform better in a continuum of care concept.

MEMORY CARE:

After a period of rapid expansion 8 to 10 years ago, memory care facilities have experienced very strong occupancies in recent years. These facilities have been somewhat buffered from the recession because the level of care needed is often far more than a spouse or other family member can handle even in difficult financial times. Furthermore, new advancements in design and programming have dramatically increased the benefits of living in such environments. In addition, these benefits have raised the awareness of memory loss and reduced its taboo nature, which has resulted in greater market acceptance.

For this Site, it is anticipated that the memory care market demand is between 10 and 25 units. This is not enough demand to develop a standalone memory care facility. However, it would be feasible as part of a continuum of care concept.

Retail

INTRODUCTION

Retail is one of the most highly competitive and fluid real estate market sectors. Existing stores are constantly being challenged by new concepts, locations and competitors. Turnover is very common and tenants and landlords must constantly be listening to the market and making strategic reinvestments or tenant mix changes to ensure their centers are vibrant and profitable. Four Seasons Mall's physical configuration and appearance are not compatible with current retail standards and most similar centers in the market place have made major strategic reinvestments years ago to modernize their centers.

Cities have an interest in monitoring this constant market change to ensure that the total size of the retail development space is in line with retail demand. When retail development space is beyond the size that can be supported by the market demand, vacancies become more common. This can be amplified by a "domino effect" caused by the common practice of co-tenancy where one tenant's lease requirements are tied to the condition that another tenant remains active in the center.

One example of this shuffling of vacancy impact regarding this Site is the market for movie theaters. The subject Site could likely support a new multi-plex theater and newer theaters generally outperform older theaters. However, this would not be satisfying an unmet need for movie theaters in the community, but would, instead move the existing demand to a new location, resulting in the closing of the other theaters within, roughly a 5 mile radius, which would include the theater at Vicksburg.

Excess retail supply also puts downward pressure on lease rates which can reduce the cash flow available to landlords for making the strategic reinvestments necessary for the center to remain competitive. This can lead to an overall decline in retail quality and can lead to negative impacts that can be a community concern.

The other reason cities have an interest in monitoring the size of the retail market is to prevent an overly restrictive retail environment. When a city does not provide sufficient retail area to satisfy market demands, then the variety of retail options available to its customers may be reduced and economic activity is diverted to other communities.

It is therefore very important that cities attempt to find a balance between the amount of retail development and retail market demand.

TYPES OF RETAIL CENTERS AND GOODS

The design of retail centers in urban areas has changed significantly during the 20th century, expanding from walkable town centers to auto-oriented centers to the diverse types of retail centers we see today. Many of the changes have been linked to metropolitan growth patterns, changes in urban transportation systems – including the rising dominance of the automobile – and evolving retailing technologies.

One result of this change is that communities have inherited a mix of current and older retail centers that vary in economic performance and physical character. Whether a retail location is older, such as a downtown, or brand new, there is a promising opportunity to create pedestrian-friendly uses by adopting urban design approaches that emphasize links to local neighborhoods, walkability, transit access, complementary land uses, and natural amenities.

A clear understanding of the form and dynamics of retail centers is helpful when positioning them in a community. They can vary dramatically based on:

- Physical size
- Built form
- Metropolitan location
- Transportation access
- Size of Trade Area
- Mix of services and tenants
- Presence of competing centers

Many forces can affect the performance of retail centers over time:

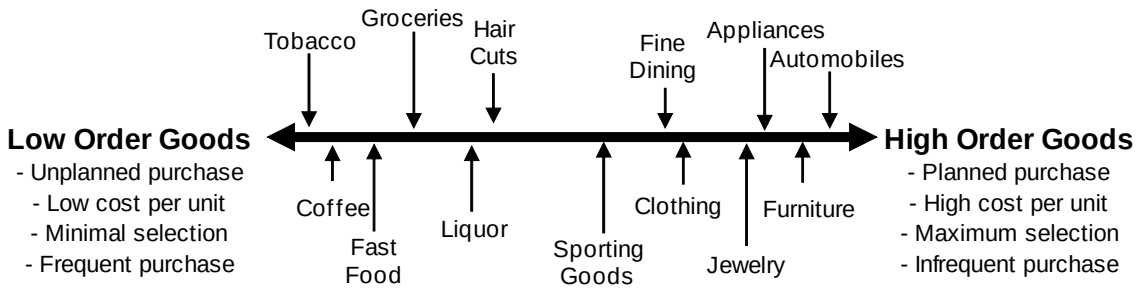
- Changes in the regional transportation system can alter the relative situation of individual retail centers, e.g. freeway or transit station proximity.
- A boom in construction of retail centers during the 1960s-1980s resulted in an overbuilt retail market in many communities today.
- Aging retail centers often need major renovation, expansion, or repositioning to be competitive.
- Changing demographics in the Trade Area may reduce buying power or create a market mismatch for a retail center.
- Smaller retail centers often lack space for expansion and struggle to compete with stores that are increasingly larger, e.g. supermarkets and discount stores.
- Competition can increase due to new and expanding retail centers within five miles.
- Diversification of shopping center types with new formats and popular tenants increases the competitive challenge.

The area from which a center draws the majority of its business is known as the Trade Area. The boundary for a Trade Area is determined by many factors, but mostly by the location of the next closest center offering a similar complement of goods and services. Ideally, the Trade Area for a given center has no other competitors for several miles in each direction, giving the center the strong advantage of convenience to the households surrounding it. In reality, travel routes and intervening land uses (e.g. large parks with no through routes) often make one center more convenient than another retail center that is closer “as the crow flies.”

Determining the Trade Area around a retail center depends on the amount of goods and services it can offer to the surrounding household base; the level of offering is usually related to the size of the center and the order of goods and services available.

Goods are often classified on a relative scale from lower order to higher order goods. Lower order goods are those goods which consumers need frequently and therefore are willing to travel only short distances for them. Higher order goods are needed less frequently so consumers are willing to travel farther for them. These longer trips are usually undertaken for not only purchasing purposes but other activities as well. Figure 17 demonstrates where some of the common goods and services might fall along this continuum.

Figure 17: Hierarchy of Retail Goods and Services



The Urban Land Institute (ULI) approximates the size of a Trade Area in a rough manner, in terms of a distance radius surrounding a center. Table 11 presents the rough Trade Area calculations, working from the smallest level (convenience center) up to the largest level (regional or super-regional center).

Table 11: General Trade Area Characteristics of Retail Centers (Urban Land Institute)

Center Type	Anchor Type	Gross Leasable Area (square feet)	Minimum Population to Support	Trade Area Radius (miles)	Trade Area Drive Time (minutes)
Convenience	Suprette/Small Grocery	<30,000	3,000 - 15,000	<1.5	<5
Neighborhood	Drug Store/Grocery	30,000 - 100,000	15,000 - 40,000	1.5 - 3	5 - 10
Community	Supermarket/Discount Merchandise	100,000 - 300,000	40,000 - 150,000	3 - 5	10 - 20
Regional/Super-Regional	Department Stores/Entertainment	300,000+	150,000+	5 - 12	20 - 30

Source: Urban Land Institute

In reality, the draw areas and minimum supportive populations for retail centers vary considerably across the country, depending on surrounding housing density and the attraction of the specific retail tenants. Stores in higher-density areas can thrive with smaller Trade Areas; stores that are popular in the local market (e.g. Target in the Twin Cities) can thrive with a smaller population base because they garner considerably higher brand loyalty than their competition.

OVERVIEW OF RELATIONSHIP BETWEEN RETAIL DEMAND AND DEMOGRAPHICS

This section discusses demographics on a general scale, introducing the concepts of consumer segments and the value of alignment between tenants and surrounding households (as measured through demographic information).

Retailers capture sales from five main categories of consumers: residents, daily workers, commuters, intermittent (transitory) visitors, and destination shoppers. Of these, residents are usually the main source of income for most retailers.

In general, neighborhood retailers perform best when they are surrounded by “rooftops,” rather than simply trying to capture drive-by traffic. The strongest retail locations do a bit of both; they serve the residents living in the surrounding area and, because they are located on high-traffic streets, they capture business from commuters, intermittent visitors, and daily workers.

RESIDENT CONSUMERS

- Spend, on average, between 10%-20% of household income at local retailers (not including auto spending); this is far more per capita and per-trip than other consumer types.
- Support a wider variety of retail goods and personal services than daily workers or transitory visitors; everything from haircuts to hardware to prescriptions.

DAILY WORKERS

- Spend just a fraction on local retail compared to residents, but can be regular customers for restaurants, coffee shops, and other specific retailers.
- Generally limit their spending time to the working hours during Monday-Friday.
- Spend in narrow categories such as restaurants and convenience/gas.

INTERMITTENT VISITORS

- Are difficult to predict but can be a significant source of business to retailers located on major thoroughfares with good access.

COMMUTERS

- Do not generate high levels of patronage for most retail tenants.
- Like daily workers, can become regular customers for specific retailers such as coffee shops or convenience/gas stations.

DESTINATION SHOPPERS

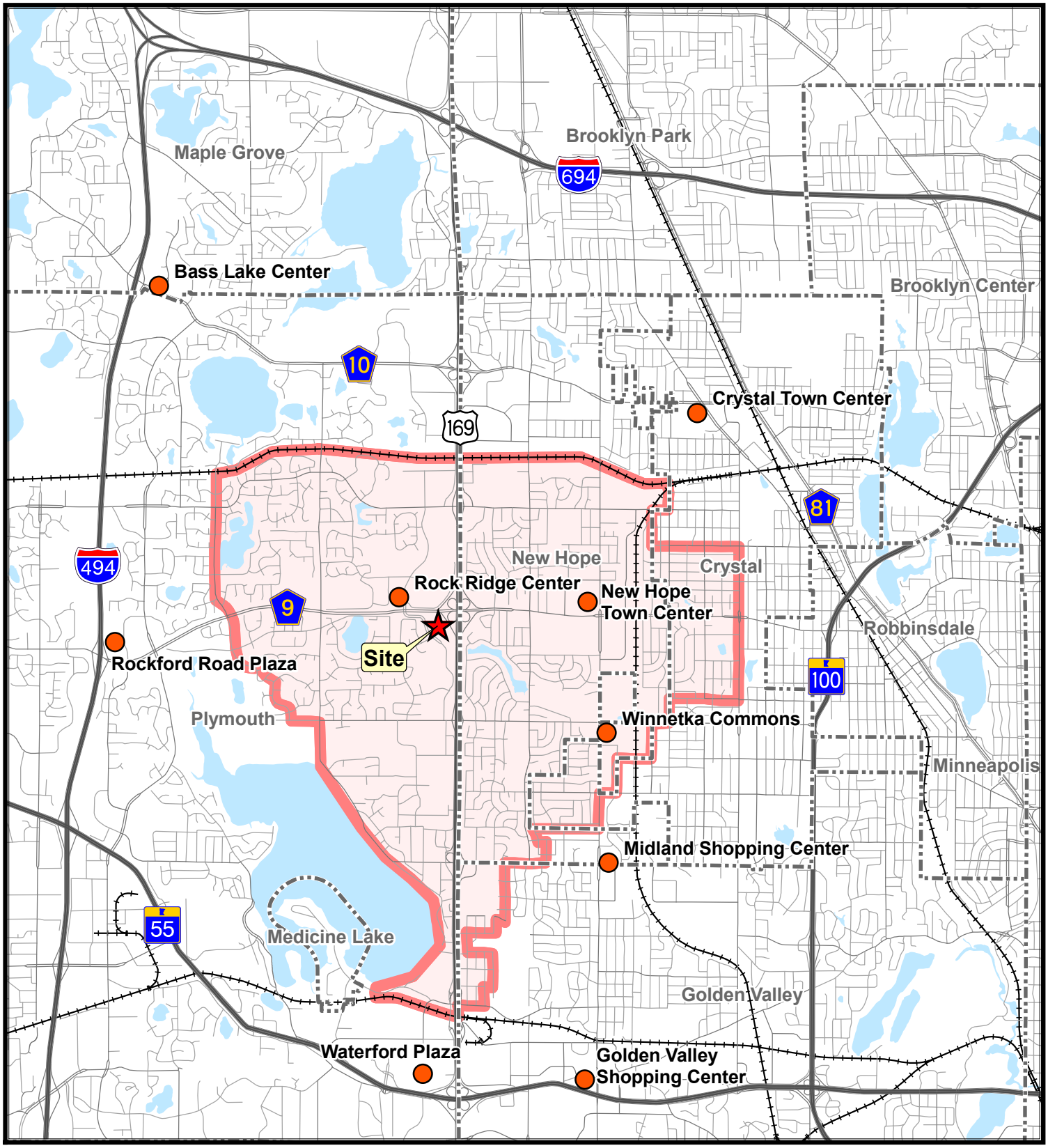
- Will drive significant distances and make special trips to shop at specific stores.
- Can be very loyal customers for the retailers they patronize.
- May often spend a substantial amount of money at one visit, or over the course of a year.

Given that residents (the consumer unit being a “household”) generate the bulk of income for most retailers, the alignment between the demographic characteristics of the surrounding population and the tenant mix of a retail center is crucial. In an ideal world, the mix of tenants at a retail center would satisfy all of the regular needs of the surrounding population.

For example, a strip retail center located adjacent to a subdivision of starter homes with young families would offer such tenants as a grocery store, a hardware store, a drugstore/pharmacy, and family restaurants among others. A retail center in an inner-city urban area with few families would offer independent coffee shops, bookstores, niche restaurants with bars, and other specialty stores catering to singles and professionals. Given the demographic profile of the Trade Area, which is presented in a following section of the report, the Four Seasons Mall site would fit somewhere between these two contrasting examples.

TRADE AREA DEFINITIONS

The size, traffic patterns, and underlying demographics of the Site indicate that it may be able to support two types of retail development if sufficient market demand is available. The first type of retail would be characterized by stores that would draw from a small Trade Area and would depend on regular visits by nearby residents and workers. Examples of retail stores that serve this need include drug stores, hair and nail salons, drycleaners, pizza delivery, cell phone stores, coffee shops, sandwich shops, to name a few. This Trade Area is depicted on the Neighborhood Retail Trade Area Map as being roughly a five-minute drive time or a 1.5 to 2 mile radius around the Site. Since the primary benefit provided by these neighborhood oriented centers is convenience, we would only expect a small number of other retail nodes to directly compete with the Site as most shoppers will typically not skip over one neighborhood oriented retail node to go to another one.



Neighborhood Retail Trade Area

Plymouth Four Seasons Mall Market Study

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Neighborhood Shopping Centers

Neighborhood Retail Trade Area

April 29, 2011

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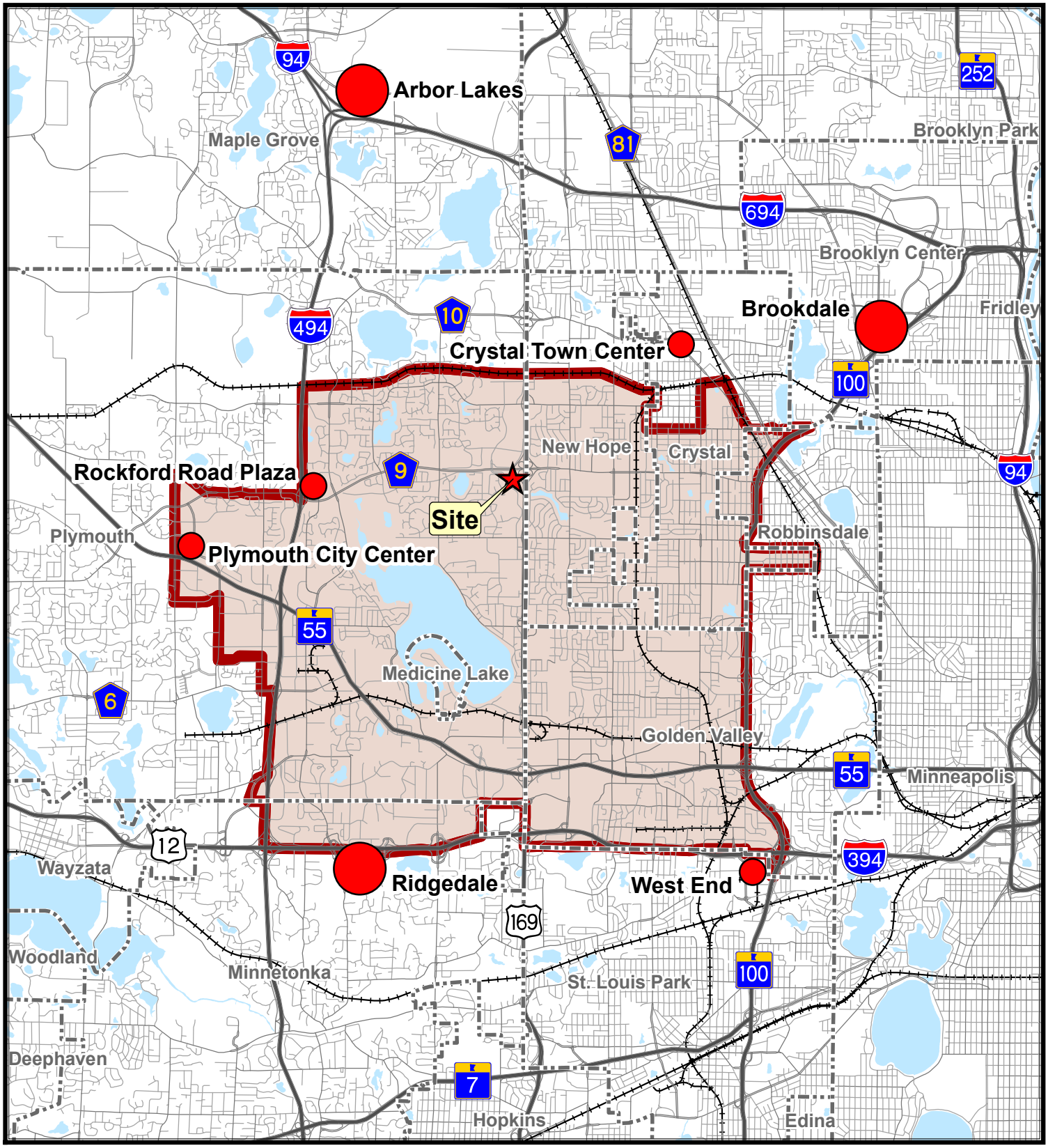
The second type of retail that could be viable at this site would draw from a slightly larger Trade Area and could include larger format stores attracted to the Site's freeway accessibility. Larger format stores are stores with more than 20,000 square feet of space and can either provide a wide range of goods, such as general merchandise stores, or provide a deep selection of a particular line of goods, such as furniture, electronics, office supplies, or discount clothing, to name a few. Many of the these types of stores often anchor what was previously defined as a community shopping center since they generate sufficient traffic to support a variety of other retailers.

In this part of the metropolitan area, the Trade Area for a community shopping center anchored by a larger format store would expand to a radius of about three miles. This Trade Area will overlap with retail nodes that are neighborhood oriented and is generally restrained by competition from larger retail centers at its periphery, such as Rockford Road Plaza, Crystal Town Center, Arbor Lakes, and Ridgedale.

Because of the strong pull of the Arbor Lakes retail district in Maple Grove and the physical constraints such as lakes, railroads and street patterns, this Trade Area tends to skew in a more southerly direction. The Community Retail Trade Area Map on the following page depicts the extent of the Trade Area and the location of existing centers that influence its boundaries.



Community Retail Trade Area

Plymouth Four Seasons Mall Market Study

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Important Regional/Community Shopping Centers

Community Retail Trade Area

April 29, 2011

Bonestroo

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RETAIL TRADE AREA DEMOGRAPHICS

POPULATION AND HOUSEHOLD TRENDS

Table 12 and 13 display population and household growth trends for both the Neighborhood and Community Retail Trade Areas. For comparison purposes, also included are figures for an area within a five to 10 minute walk of the subject Site. Similar to the Housing Trade Area, the Retail Trade Areas experienced small declines in the population during the 2000s and yet small increases in the household base. This indicates that the population decline has more to do with decreasing household size than it does outmigration from the Trade Areas. One note about the following tables-the Trade Areas overlap each other and should not be added together. For example, the 5 and 10 Minute Walking Distance Trade Area is also included in the Neighborhood Trade Area. The Neighborhood Trade Area is also included in the Community Trade Area. This is so that the relative sizes can be compared and they should not be added together.

Table 12: Population Trends

			Forecasts		Numeric Change			Percentage Change		
	2000	2010	2020	2030	2000s	2010s	2020s	2000s	2010s	2020s
5 to 10 Minute Walking Distance	2,600	2,491	2,494	2,488	-109	3	-7	-4.2%	0.1%	-0.3%
Neighborhood Retail Trade Area	29,528	29,233	29,200	29,200	-295	-33	0	-1.0%	-0.2%	0.1%
Community Retail Trade Area	74,857	74,486	75,200	76,000	-371	714	800	-0.5%	0.9%	1.0%
Plymouth	65,894	70,576	76,000	78,500	4,682	5,424	2,500	7.1%	7.7%	3.3%
Hennepin County	1,116,200	1,152,425	1,308,415	1,394,660	36,225	155,990	86,245	3.2%	13.5%	6.6%
7-County Metro Area	2,642,056	2,849,567	3,334,000	3,608,000	207,511	484,433	274,000	7.9%	17.0%	8.2%

Sources: US Census; Metropolitan Council; Bonestroo, Inc.

Table 13: Household Trends

			Forecasts		Numeric Change			Percentage Change		
	2000	2010	2020	2030	2000s	2010s	2020s	2000s	2010s	2020s
5 to 10 Minute Walking Distance	1,182	1,137	1,137	1,137	-45	0	0	-3.8%	0.0%	0.0%
Neighborhood Retail Trade Area	11,996	12,236	12,600	12,900	240	364	300	2.0%	2.8%	2.2%
Community Retail Trade Area	31,052	31,891	33,000	34,000	839	1,109	1,000	2.7%	3.4%	2.9%
Plymouth	24,820	28,663	31,500	33,500	3,843	2,837	2,000	15.5%	9.9%	6.3%
Hennepin County	456,129	475,913	551,715	594,045	19,784	75,802	42,330	4.3%	15.9%	7.7%
7-County Metro Area	1,021,454	1,117,749	1,362,000	1,492,000	96,295	244,251	130,000	9.4%	21.9%	9.5%

Sources: US Census; Metropolitan Council; Bonestroo, Inc.

AGE DISTRIBUTION

Again, similar to the Housing Trade Area, the population in both retail Trade Areas is aging rapidly. The neighborhood Trade Area experienced a remarkable increase in the number of persons age 75 and older during the 2000s (Table 14).

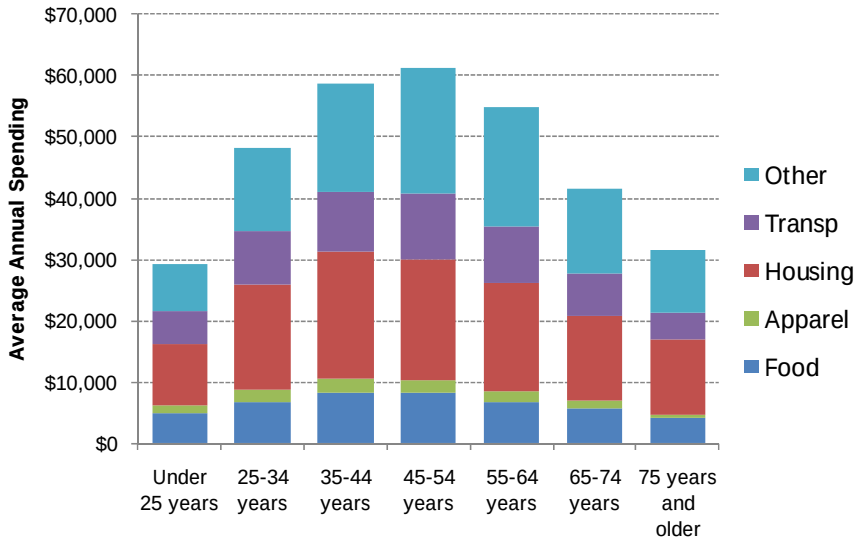
Figure 18 illustrates how older households not only spend less money in general, they also spend it on other needs besides food and apparel, which constitutes a large proportion of retail. In particular, a significant proportion of their spending is in the “other” category, which is a catch all for many non-retail types of spending, such as healthcare, education, and savings.

Table 14: Age Distribution, 2000 and 2010

	Neighborhood Retail Trade Area				Community Retail Trade Area				7-County Metro Area			
Age Group	2000	2010	Change	Pct.	2000	2010	Change	Pct.	2000	2010	Change	Pct.
Under 5	1,825	2,019	194	10.7%	4,539	4,755	216	4.8%	188,236	202,765	14,529	7.7%
5 to 17	5,118	4,839	-279	-5.5%	12,352	11,172	-1,180	-9.6%	509,298	496,353	-12,945	-2.5%
18 to 24	2,369	2,500	131	5.6%	5,878	5,916	38	0.7%	244,226	263,085	18,859	7.7%
25 to 34	4,419	4,284	-135	-3.1%	11,331	12,022	691	6.1%	411,155	428,018	16,863	4.1%
35 to 44	5,125	4,495	-630	-12.3%	12,866	10,317	-2,549	-19.8%	469,324	416,139	-53,185	-11.3%
45 to 54	4,601	4,442	-159	-3.5%	11,176	11,667	491	4.4%	363,592	444,590	80,998	22.3%
55 to 64	3,030	3,154	124	4.1%	7,155	8,313	1,158	16.2%	200,980	301,865	100,885	50.2%
65 to 74	1,943	1,920	-23	-1.2%	4,995	4,914	-81	-1.6%	130,615	153,286	22,671	17.4%
75 and Older	1,098	1,579	481	43.8%	4,565	5,410	845	18.5%	124,630	143,465	18,835	15.1%
Total	29,528	29,233	-295	-1.0%	74,857	74,486	-371	-0.5%	2,642,056	2,849,567	207,511	7.9%
Distribution	2000	2010	Change		2000	2010	Change		2000	2010	Change	
Under 5	6.2%	6.9%	0.7%		6.1%	6.4%	0.3%		7.1%	7.1%	0.0%	
5 to 17	17.3%	16.6%	-0.8%		16.5%	15.0%	-1.5%		19.3%	17.4%	-1.9%	
18 to 24	8.0%	8.6%	0.5%		7.9%	7.9%	0.1%		9.2%	9.2%	0.0%	
25 to 34	15.0%	14.7%	-0.3%		15.1%	16.1%	1.0%		15.6%	15.0%	-0.5%	
35 to 44	17.4%	15.4%	-2.0%		17.2%	13.9%	-3.3%		17.8%	14.6%	-3.2%	
45 to 54	15.6%	15.2%	-0.4%		14.9%	15.7%	0.7%		13.8%	15.6%	1.8%	
55 to 64	10.3%	10.8%	0.5%		9.6%	11.2%	1.6%		7.6%	10.6%	3.0%	
65 to 74	6.6%	6.6%	0.0%		6.7%	6.6%	-0.1%		4.9%	5.4%	0.4%	
75 and Older	3.7%	5.4%	1.7%		6.1%	7.3%	1.2%		4.7%	5.0%	0.3%	
Total	100.0%	100.0%	0.0%		100.0%	100.0%	0.0%		100.0%	100.0%	0.0%	

Source: US Census; Bonestroo, Inc.

Figure 18: US Consumer Spending by Age Group, 2008



Source: Bureau of Labor Statistics: Consumer Expenditure Survey

INCOME

An aging population, especially within the Neighborhood Trade Area, is having a big impact on incomes. The median income in the Neighborhood Trade Area was well above the metro median in 2000, but fell well behind it by 2010 due to flat growth in the 45 to 64 age group and actual declines in the 65 and over age group. This income decline can be partially explained because of the dramatic increase of the 75 and older age group which would skew the 65 and older figures.

Despite the apparent decline in incomes due to the aging of Trade Area households, Table 15 shows that incomes for the youngest age group appear to have significantly outpaced the metro area growth rate, suggesting that younger age groups may have more disposable income in the

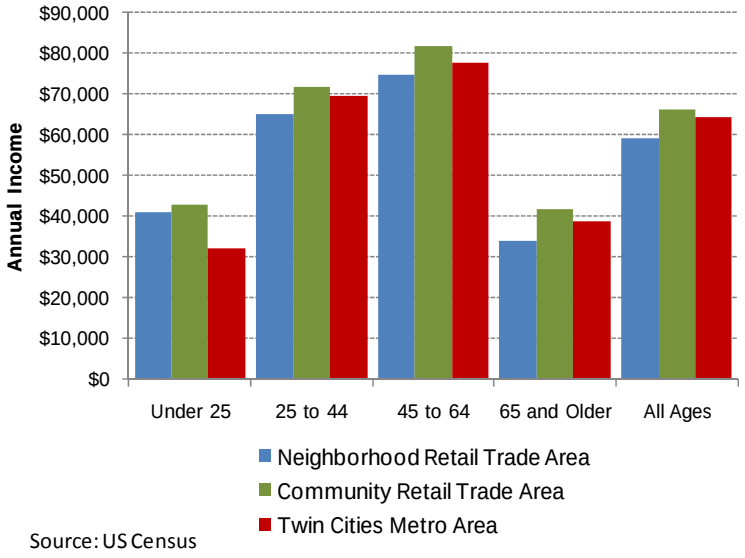
Neighborhood and Community Trade Areas and may eventually result in increased purchasing power should a transition occur in which older households are replaced by younger households.

Table 15: Median Household Income by Age, 2000 and 2010

	Neighborhood Retail Trade Area			Community Retail Trade Area			7-County Metro Area		
	2000	2010	Change	2000	2010	Change	2000	2010	Change
Households under 25	$34,541	$41,393	19.8%	$41,756	$42,901	2.7%	$29,818	$32,159	7.9%
Households 25-44	$62,110	$70,778	14.0%	$61,663	$71,652	16.2%	$58,616	$69,652	18.8%
Households 45-64	$76,016	$76,009	0.0%	$73,246	$81,692	11.5%	$67,861	$77,813	14.7%
Households 65+	$34,974	$30,978	-11.4%	$35,318	$41,568	17.7%	$31,233	$38,589	23.6%
All Households	$59,549	$62,717	5.3%	$57,729	$66,022	14.4%	$54,807	$64,471	17.6%

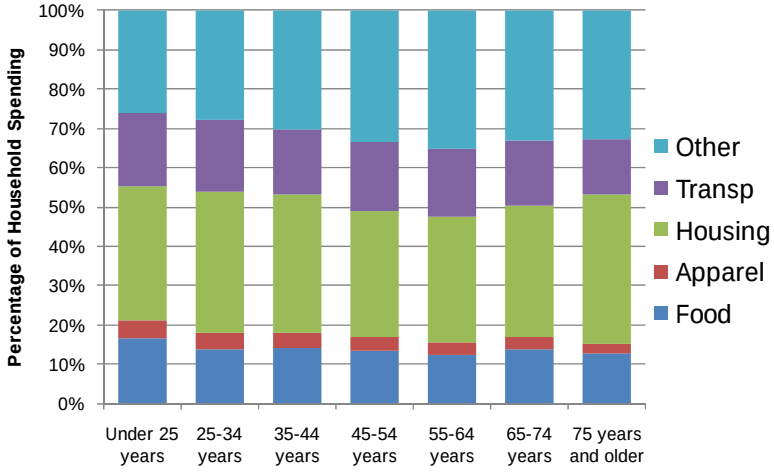
Source: US Census; Bonestroo, Inc.

Figure 19: Median Household Income 2010



Source: US Census

Figure 20: US Consumer Spending as a Percentage of Income by Age Group, 2008

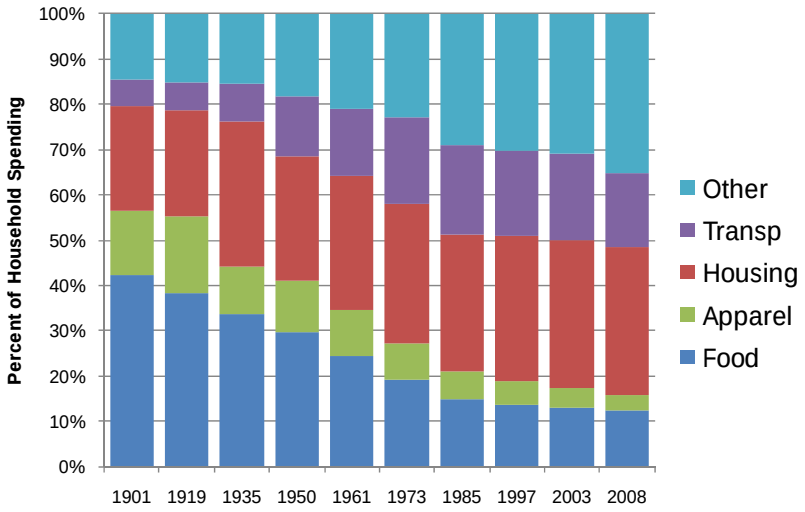


Source: Bureau of Labor Statistics: Consumer Expenditure Survey

OTHER FACTORS INFLUENCING RETAIL MARKETS

Over the course of 100 years, consumer spending patterns have shifted dramatically. Categories that typically consist of retail purchases have been squeezed by other categories, namely housing, transportation, and a rapidly growing "other" category, which consists of mostly of healthcare, education, and savings. Although the proportion we spend on food and apparel has dropped dramatically due to the industrialization of their processing, the chart still underscores the fact that an increasing share of spending is being diverted into non-retail categories.

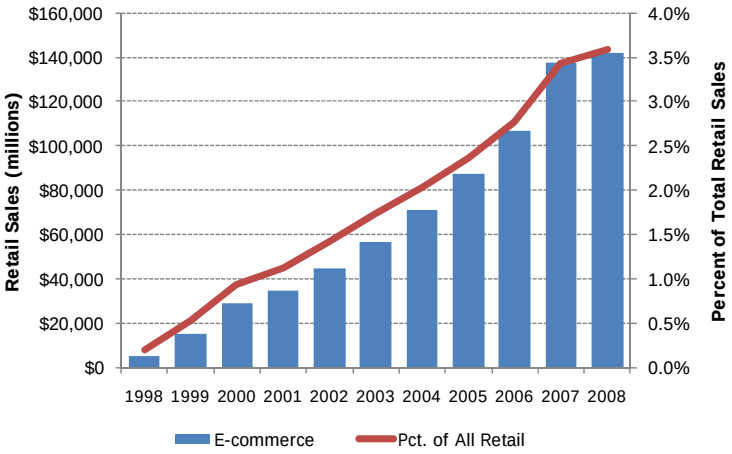
Figure 21: Historic US Consumer Spending as a Percentage of Income, 1901-2008



Source: Bureau of Labor Statistics: Consumer Expenditure Survey

More threatening to the long range prospects of traditional retail is the growth in e-commerce or on-line purchasing of goods and services. Overall, e-commerce remains a very small proportion of all retail spending (Figure 22). However, growth since the late 1990s has been almost exponential. Although it will likely taper as retailers figure out how to more effectively combine the on-line and in-store experience, each half a percentage growth in e-commerce translates into millions of fewer square feet of traditional retail space that can be supported nationwide. However, neighborhood-oriented retail will likely feel less effect because the goods are generally consumed soon after purchase and therefore more immune from online competition.

Figure 22: Growth in E-Commerce Retail Spending



Source: US Census: E-Stats, E-Commerce Multi-sector Report

REGIONAL RETAIL CHARACTERISTICS

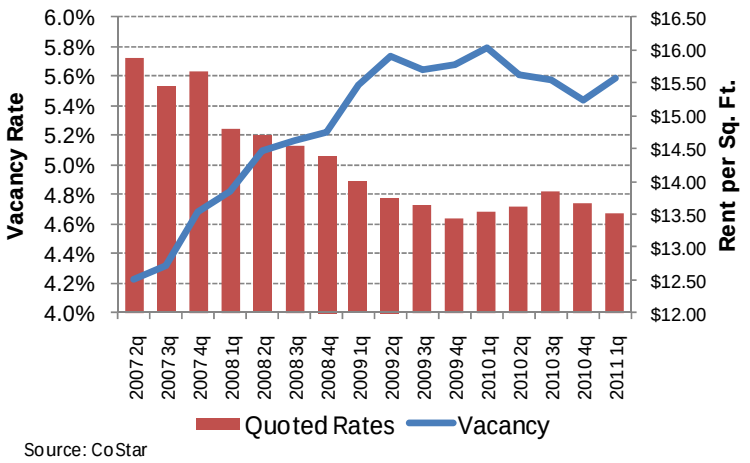
The retail real estate market has been profoundly impacted by the current recession. Retail markets typically lag slightly behind residential markets as most retailers follow the axiom of "follow roof tops." Not surprisingly, as the residential market crashed due to lax lending standards and over building, the retail market has followed suit. Compounding the problem, high unemployment has resulted in a sharp decline in consumer spending. Finally, this recession was particularly difficult for some retailers because it also included a widespread seizing up of credit markets which contributed to several significant retail bankruptcies, in part, due to inability to manage heavy debt burdens.

The recession has affected tenants of all types, but has been particularly difficult in the "big box" format due to the number of bankruptcies in this format and the limited flexibility of the space to adjust to other formats. Many of the "big box" stores that have suffered is due to a business model that stresses wide selection of a narrow range of goods. Often termed "category killer" in the real estate industry, these stores often dominate a particular category of goods, such as office supplies, toys, fabrics, etc. Most vacant "big box" stores have remained vacant, even in extremely desirable retail locations and landlords have even resorted to inserting non-traditional tenants such as deep discounters (i.e. Big Lots), thrift stores, (i.e. Goodwill) and temporary tenants that would have been viewed as less desirable tenants before the recession.

The overall retail vacancy rate for the Twin Cities increased sharply from 2007 to 2009 and is currently at 5.6%[1] (Figure 23). Furthermore, as demand for retail space declines, many retail tenants are renegotiating leases and putting downward pressure on rents. Since 2007, average quoted rates have dropped from nearly $16 per square foot to around $13.50 per square foot. Vacancy rates are at the highest rate in 14 years. Most retail development that was planned for 2010 has been postponed, cancelled or scaled back in scope.

[1] CoStar

Figure 23: Metro Area Retail Vacancy Rate and Quoted Rents

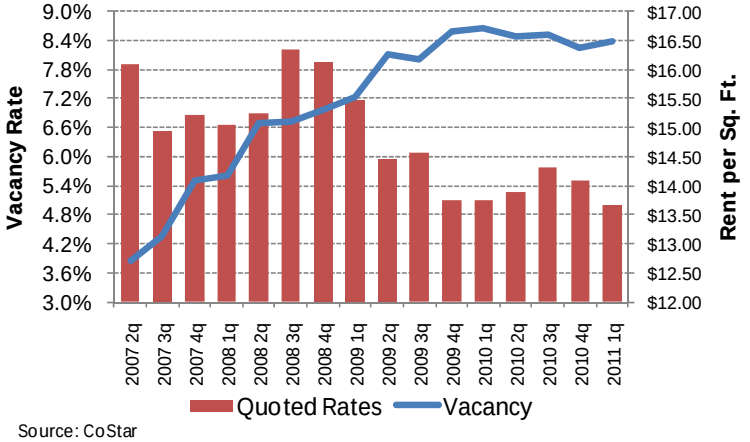


Source: CoStar

The retail market in the northwest portion of Hennepin County, where the subject Site is located, has experienced some of the sharpest increases in vacancy over the last several years (Figure 24). From 2007 to 2011, the vacancy rate has increased from just under 4.0% to nearly 8.5%. Much of this has been the result of severe vacancy problems at Brookdale Mall, but nonetheless underscores the recent challenges in the retail market.

Another impact of rental decline in recessions is that the rent premium for each class of space also compresses which encourages tenants to move up to more desirable centers and locations which puts increased strain on lower class space.

Figure 24: Northwest Hennepin County Retail Vacancy Rate and Quoted Rents



Source: CoStar

COMPETITIVE RETAIL DISTRICTS

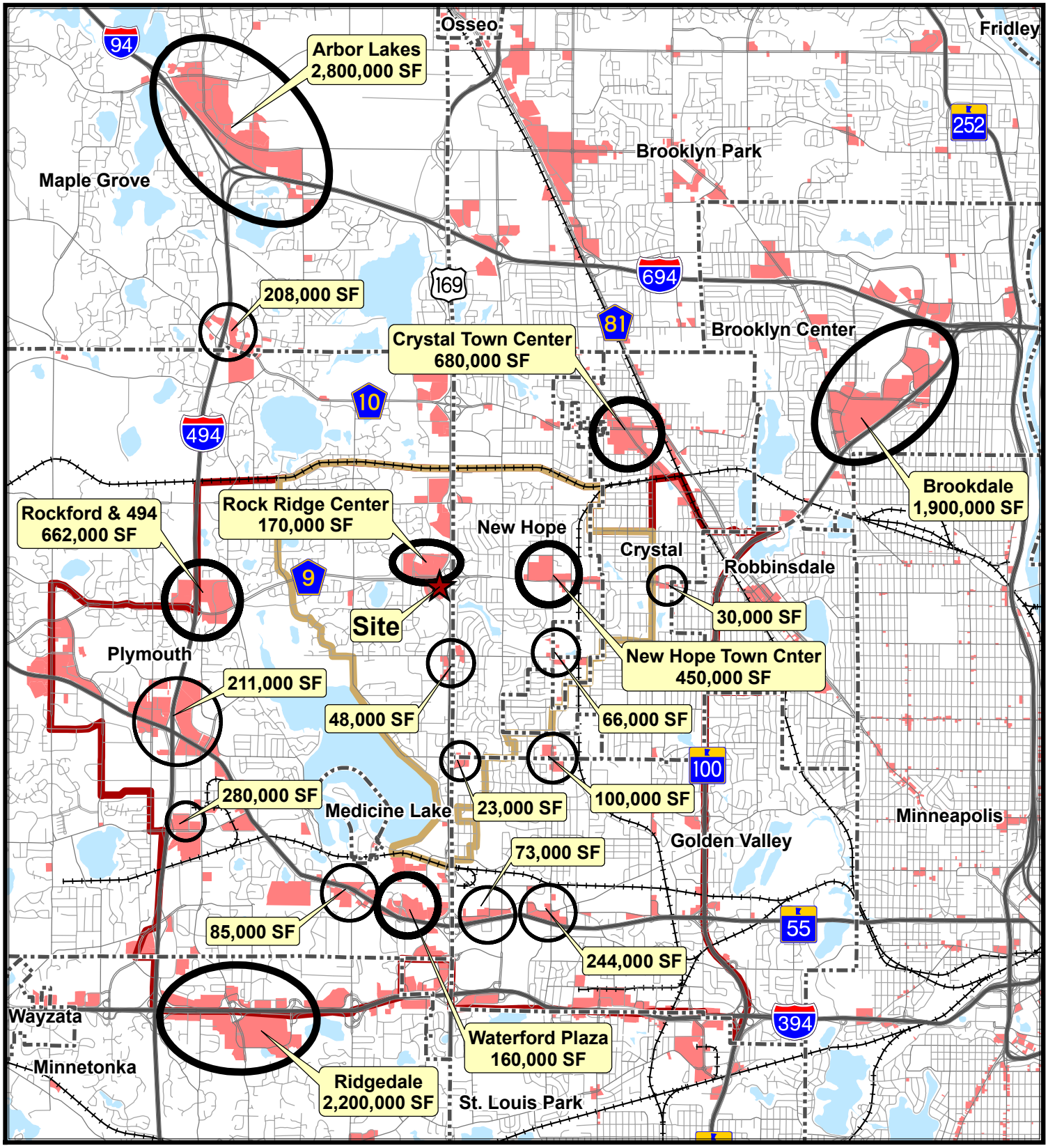
The Trade Area Retail Districts Map and Table 16 displays the wide variety of retail districts that compete with the subject Site.

NEIGHBORHOOD RETAIL TRADE AREA

There are five retail districts within the Neighbrohood Trade Area that compete with the subject Site to capture spending from local households and area workers. The largest of these districts is the New Hope Town Center with over 400,000 square feet of retail space. Although the area is anchored by a K-Mart and has a substantial amount of space, it does not have another complementary anchor, such as a grocery store, to drive the kind of traffic that helps support a vibrant mix of stores. Each of the larger centers in this area is old and has visible signs of deferred maintenance and lack of upkeep, which has contributed to longstanding vacancy problems and declining rents. Moreover, given the amount of square footage in the area, it suffers from direct access to a major highway and thus is dependent on a small Trade Area.

The two retail districts situated just south of the subject Site at the next two interchanges along Highway 169 are not especially competitive since both districts only have room for a small number of buildings, most of which are almost exclusively dependent on maximum convenience of their respective locations. The mix of stores in these districts is mostly fast food and automotive in nature.

The retail district at Winnetka Avenue and 36th Avenue North has a small number of buildings and a strip center without a significant anchor. The total amount of retail space in this district is about 66,000 square feet. Surrounded by similar housing stock to the subject Site, in many ways this district may have a scale and scope that would be appropriate for a redeveloped Four Seasons Mall site. However, its lack of direct access to a major highway clearly differentiates it from the subject Site.



Trade Area Retail Districts

Plymouth Four Seasons Mall Market Study

N
W E
S

7,000 0 7,000 Feet

Commercial Land Use

Community Retail Trade Area Boundary

Neighborhood Retail Trade Area Boundary

April 20, 2011

Bonestroo

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Table 16: Trade Area Retail Districts

Retail District Principal Centers	Prop-erties	Leasable Sq. Ft.	Building Age[1]	Vacancy Rate 2011	2010	2009	Avg. Rent per sq. ft.[2]	District Character
Crystal Town Center	41	677,938	--	7.1%	8.3%	7.2%	$14.81	Aging retail node anchored by a Target.
Crystal Town Center		58,176	1998	3.6%	0.0%	7.5%	$8.00	Recent upgrades to key centers have
Crystal Gallery Mall		84,142	1985	14.9%	14.9%	14.9%	$16.00	helped stabilize rents; though area
Crystal Shopping Center		220,931	1954-r	11.0%	17.1%	11.0%	$15.67	remains pedestrian unfriendly.
Target		143,173	1963-r	--	--	--	--	
New Hope Town Center	20	449,124	--	10.8%	10.8%	4.8%	$8.13	Aging retail node achored by a K-Mart.
Kmart Plaza		115,492	1971	18.2%	18.2%	3.8%	$8.00	Centers are poorly related to one another;
New Hope City Center		77,466	1965	0.0%	0.0%	0.0%	--	minimal upgrades has resulted in low
Winnetka Shopping Center		95,592	1970-r	0.0%	0.0%	0.0%	--	rents and poor complement of stores.
Hwy 169 & 36th Ave	4	47,656	--	16.1%	18.5%	18.5%	$13.72	Highway oriented businesses; almost exlusively fast food or automobile-based
Hwy 169 & Rockford Rd	12	170,333	--	0.8%	3.3%	3.0%	$25.75	Cub Foods anchored shopping center
Rock Ridge Center		128,000	1983/2007	1.1%	1.1%	4.0%	$25.75	
Winnetka Ave & 36th Ave N	8	65,919	--	10.7%	10.4%	11.8%	$12.81	Neighborhood intersection with several
Winnetka Commons		42,415	1986	16.7%	16.2%	18.2%	$12.81	small commercial buildings and one small strip center
Winnetka Ave & Medicine Lake Rd	11	99,947	--	10.6%	9.6%	9.9%	$12.10	Neighborhood intersection with several
Midland Shopping Center		70,377	1961	15.7%	15.7%	16.3%	$12.10	small commercial buildings and one small strip center
Hwy 169 & Medicine Lake Rd	5	22,644	--	0.0%	8.8%	0.0%	$11.91	Highway oriented businesses; almost exlusively fast food or automobile-based
42nd Ave N & Douglas Dr	9	29,592	--	0.0%	5.4%	0.0%	--	Neighborhood intersection with several small commercial buildings
Highway 55 & Winnetka Ave	12	243,862	--	11.1%	4.5%	1.9%	$20.04	Mixture of vintage strip retail that remains
Golden Valley Commons		47,000	1996	13.6%	2.6%	3.1%	$23.00	viable and new mixed-use centers with
Golden Valley Shopping Center		120,000	1954	6.5%	6.5%	0.0%	$12.00	public spaces and pedestrian amenities;
Golden Valley Town Square		45,700	2001	36.3%	8.1%	8.1%	$18.34	good connectivity between newer centers
Highway 55 & Boone Ave	14	72,831	--	6.9%	6.9%	7.0%	$20.40	Highway oriented businesses; almost exlusively fast food or automobile-based
Waterford Park Plaza	6	160,301	--	0.9%	0.9%	0.9%	$23.00	Rainbow Foods anchored shopping center
Waterford Plaza		121,287	1989	0.0%	0.0%	0.0%	--	
Highway 55 & I-494	27	210,854	--	1.2%	1.8%	1.8%	$27.00	Very strong concentration of highway-oriented businesses; mostly fast food and automobile-based
Rockford Road & I-494	18	662,026	--	3.0%	3.1%	2.3%	$22.00	All four quadrants of highway interchange
Rockford Road Plaza		205,917	1991	7.1%	6.5%	5.3%	$24.00	have retail centers. Mixture of new strip
Cottonwood Plaza		47,903	1989	0.0%	17.9%	8.0%	$15.00	centers along with aging strip centers,
Plymouth Collection		45,915	1998	0.0%	0.0%	0.0%	--	though strength of Target and other large
Target		161,362	1991	0.0%	0.0%	0.0%	--	retailers keeps overall rents high and
Hom		118,532	1992	0.0%	0.0%	0.0%	--	vacancies low.
County Road 6 & I-494	6	270,958	--	0.0%	0.0%	0.0%	--	Dominated by two large retailers located
Home Depot		111,847	1997	0.0%	0.0%	0.0%	--	at the edge of industrial area near a
Schneiderman's Furniture		120,000	1968	0.0%	0.0%	0.0%	--	highway. Neither retailer is dependent on a complement of smaller retailers. Therefore, area has not developed into a more mature retail node.
Bass Lake Road & I-494	19	208,128	--	2.4%	0.6%	3.4%	$17.00	No major anchor; businesses oriented to
Bass Lake Center		60,000	2006	0.0%	0.0%	0.0%	--	nearby office parks and small amount of lodging.

Sources: CoStar; Bonestroo, Inc.

[1] An "r" next to year indicates building has been recently renovated

[2] Average rent is based on quoted rates for "triple net" or NNN

COMMUNITY RETAIL TRADE AREA

The Community Retail Trade Area includes a number of smaller retail districts as well as some larger centers that have substantially more square footage than can be accommodated at the subject Site. Most prominent among these is the Rockford Road Plaza area which is approximately three miles to the west of the subject Site. This area has direct access to I-494 from Rockford Road and is anchored by a Super Target, a Rainbow Foods grocery store, and Hom furniture store. This district comprises over 600,000 square feet of retail space and has been able to remain largley full in recent years. Due to the significant concentration of stores in this district, any kind of large format or “big box” store that would locate on the subject Site

would compete directly with this area and yet not be able to benefit from a similar concetration of stores because of the smaller size of the Site.

It should be noted as well that the only retail district profiled that has tried to introduce an amenity-rich atmosphere that is conducive to pedestrian activity is a portion of the retail district located at Winnetka Avenue and Highway 55 in Golden Valley.

RETAIL DEMAND

Table 17 illustrates the methodology used to calculate retail demand. Demand for retail space is driven mostly by the spending power of Trade Area households and the supply of existing retail options. The table indicates that there currently is excess spending power among Neighborhood Trade Area households to support approximately 130,000 square feet of additional retail space. However, by 2020, due to income levels that will not keep pace with metro averages due to an aging population and the effect of e-commerce, the overall amount of supportable retail will decrease to about 86,000 square feet of space.

In contrast, the Community Trade Area will only be able to support 44,000 square feet of retail by 2015, which will decline to a -85,000 by 2020. It appears to be counterntutive that a larger Trade Area could support less retail than a smaller Trade Area. However, the effect of substantially more competitive retail in those areas of the Community Retail Trade Area that are not located in the Neighborhood Retail Trade Area results in this effect. Therefore, a retailer who decides to locate on the subject Site and would be dependent on attracting customers from the larger community Trade Area will have many more competitive retail districts to compete with.

Although the Neighborhood Trade Area appears to have the ability to support new retail development, it should be noted that the spending power per household is significantly less than the spending power per household of the Community Trade Area. This suggests that the mix of stores would need to be tailored to these more modest household incomes. Therefore, instead of relying on upscale retailers, the mix would likely need to focus on proven store formats that have a product or service price point that is more affordable. For example, Panera and D'Amico & Sons both offer a variety of sandwiches and soups as their core product. However, Panera's price point is slightly below that of D'Amico & Sons.

Table 17: Retail Demand Calculation

		Neighborhood Trade Area		Community Trade Area	
		2015	**2020**	**2015**	**2020**
Households		12,400	12,600	32,450	33,000
Average Household Income[1]		$74,984	$72,734	$85,528	$82,962
Aggregate Household Income in Trade Area	=	$929,801,600	$916,454,448	$2,775,383,600	$2,737,751,280
(times) Percent of Income Spent on Neighborhood/Community Retail Goods[2]	x	17%	16%	17%	16%
(equals) Resident Household Consumer Dollars	=	$158,066,272	$146,632,712	$471,815,212	$438,040,205
(plus) Retail Spending by Daytime (Non-Resident) Workers[3]	+	$3,276,000	$3,384,000	$22,680,000	$24,120,000
(equals) Trade Area Retail Spending Potential	=	$161,342,272	$150,016,712	$494,495,212	$462,160,205
(divided by) Average Sales per Square Foot[4]	÷	$250	$250	$250	$250
(equals) Estimated Trade Area Demand for Retail Space	=	645,369	600,067	1,977,981	1,848,641
(less) Existing Supply of Trade Area Retail Space	-	514,150	514,150	1,933,600	1,933,600
(equals) Potential Additional Retail Space that could be Supported in the Trade Area	=	131,000	86,000	44,000	(85,000)

[1] Figures are in 2010 dollars. 2020 income is adjusted downward by 3% due to the continued aging of the huosehold base, which results in less spending on traditional retail goods and services.

[2] US Department of Labor, Bureau of Labor Statistics: Average Annual Expenditures and Characteristics, Consumer Expenditure Survey, 2008. Percentage for 2020 is adjusted downward slightly to account for increased on-line purchases of goods. Neighborhood/Community retail excludes categories of goods, such as apparel and other durable goods, which are typically

[3] Assuming roughly 9,100 daily workers in the Neighborhood Trade Area and 63,000 daily workers in the Community Trade Area (from TAZ tallies) and average daily spending of $1.50 during the "work" year (Monday-Friday; 240 days per year).

[4] *Dollars and Cents of Shopping Centers* (Urban Land Institute)
Source: Bonestroo, Inc.

For this Site, it is anticipated that the unmet neighborhood retail demand is between 30,000 square feet and 50,000 square feet.

- ***Restaurants will likely be one of the strongest retail concepts with two sit down restaurants as a possibility in addition to smaller, quick service restaurant concepts.***
- ***The general grocery market has been almost fully absorbed by the expanded Cub store and therefore any additional grocery would need to be a small, niche concept.***
- ***There is market for a drug store at this location which would occupy approximately 12,000 – 15,000 square feet in size.***
- ***Specialty retail could include uses such as coffee shop, liquor stores, cellular phones and sports/recreation.***

It is anticipated that large stores for products such as apparel, furniture/appliances, home improvement and electronics etc. would seek other locations where there is a larger, community or regional oriented retail base to draw customers from. Therefore, this site would not be attractive to these uses unless there was a shortage of available locations in community and regional centers.

Office

INTRODUCTION

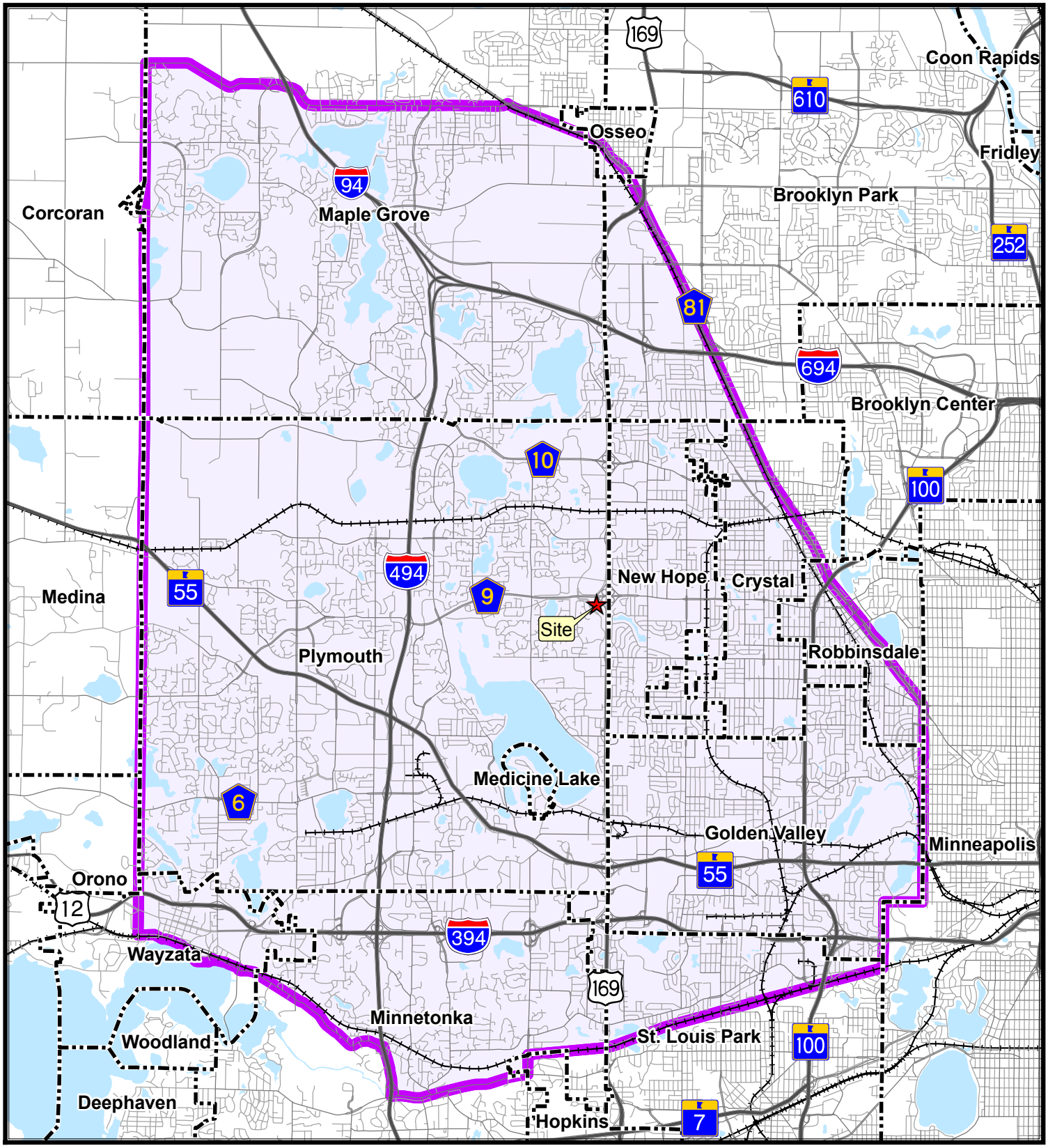
Office submarkets are defined heavily by highway visibility, accessibility, and character of the area, especially among high profile users, such as corporate headquarters, regional branches, or businesses where status is a premium (e.g., law offices and financial services). Corporate offices often have customers spread throughout a region, the nation or even globally and so the office market often does not have the same requirements to be close to customers, as with retail. Therefore, the size of office market Trade Areas tends to be much larger than other land users, such as retail. It should be noted, however, that some segments, such as healthcare related offices do experience significant customer traffic and therefore operate more like retail operations in their location decision making.

Large, Class A office space tends to cluster around key transportation nodes where it can maximize the visibility and access. Although the City of Plymouth has limited Class A office space, the office trade encompassing Plymouth has several examples of this type of development due to the regional significance of several highways, particularly 394, 494 and 694. Although the subject Site will not compete directly with many of these major Class A office concentrations, they need to be considered in the Trade Area because office users will move from Class B and C space (common in Plymouth) to nearby Class A space in recessionary times because the Class A rent premium is significantly reduced as vacancy rises.

In addition to larger office buildings, the analysis includes scattered small office space which serves a slightly different office market and is often characterized by lower rents and less visibility. Some examples of this type of office space are already in the immediate neighborhood.

We will examine the medical office market in more detail since this is an area that should be experiencing significant change over the next decade due to the aging of the population as well as the impacts of healthcare reform efforts.

The following page displays a map of the Office Trade Area, which is suitable for all of these office analyses.



Office Business Trade Area

Plymouth Four Seasons Mall Market Study

Office Business Trade Area

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9,000 0 9,000 Feet

March 11, 2011

Bonestroo

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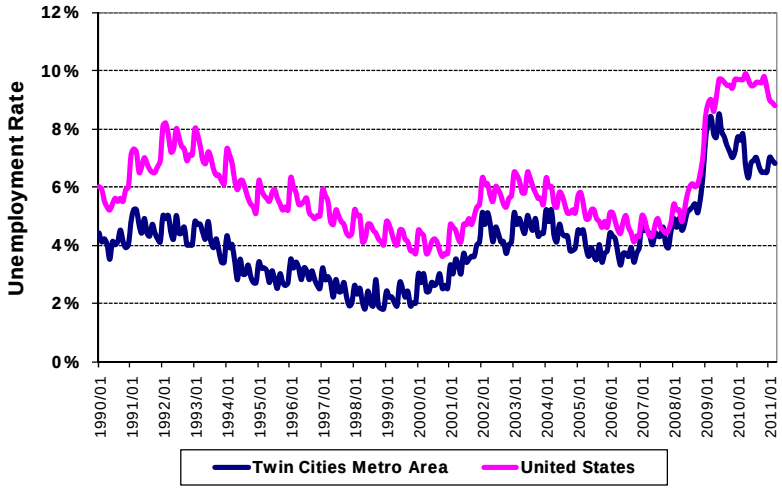
EMPLOYMENT AND ECONOMIC TRENDS

UNEMPLOYMENT RATE

Demand for office space is directly related to employment growth, especially in sectors where office space is required for the majority of the workforce. From late 2007 to early 2010, the unemployment rate in the Twin Cities Metro Area increased sharply and reached a rate not seen for over 25 years. This had a dampening effect on the demand for office space in the Metro Area. Presumably, as the overall economy improves, many businesses will begin to hire more employees, many of which will need to work in traditional office buildings.

Figure 25: Historic Unemployment Rates



Source: MN Dept. of Employment and Economic Development, *Local Area Unemployment Statistics (LAUS)*

EMPLOYMENT GROWTH TRENDS

Table 18 shows employment growth from 1990 to 2030 for the Office Trade Area and the Twin Cities Metro Area. During the 1990s and 2000s, the Office Trade Area captured a little over 12% of all new jobs added in the metro area in each decade. This is especially impressive given that the share of new household growth in the metro area that was captured within the Office Trade Area was only 8.1% during the 1990s and 5.4% during the 2000s.

Although the Trade Area is forecasted to continue to add jobs through 2030, the share of metro area job growth will roughly drop in half. Part of this drop can be explained by a dwindling supply of commercially zoned sites available in the Trade Area as full development is achieved. However, key redevelopment sites, such as the subject Site, will contribute to the Trade Area's ability to capture new job growth.

Table 18: Employment Growth Trends 1990-2030

				Forecasts		Numeric Change				Percentage Change			
	1990	2000	2010	2020	2030	1990s	2000s	2010s	2020s	1990s	2000s	2010s	2020s
Number of Jobs													
Office Trade Area	131,894	171,798	197,623	214,990	223,701	39,904	25,825	17,367	8,711	30.3%	15.0%	8.8%	4.1%
7-County Metro Area	1,285,105	1,606,263	1,819,710	2,003,920	2,148,450	321,158	213,447	184,210	144,530	25.0%	13.3%	10.1%	7.2%
Share of Jobs													
Office Trade Area	10.3%	10.7%	10.9%	10.7%	10.4%	12.4%	12.1%	9.4%	6.0%	--	--	--	--
7-County Metro Area	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	--	--	--	--

Source: Metropolitan Council

OFFICE JOB PROJECTIONS

According to the Minnesota Department of Employment and Economic Development, the Twin Cities Metro Area is projected to have a net increase of over 60,000 office jobs between 2009 and 2019 (Table 19 and Figure 26). Clearly, 60,000 new office workers in the next decade will increase demand for office space in the Trade Area. However, several trends will temper this demand.

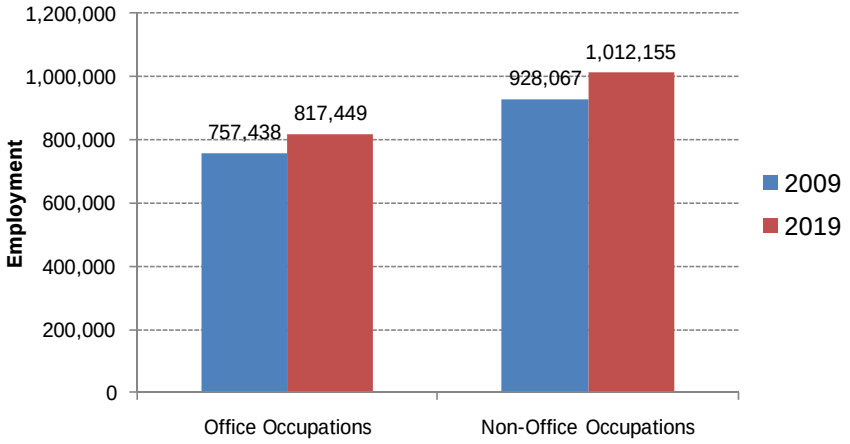
First, the average space per office worker has been declining in recent years due to greater acceptance of telecommuting, fiscal response to the recession, less need for document storage, and greater interest in more collaborative work settings and shared workspaces. Historically, 250 square feet per office worker was the standard used by many architects when designing office space. This average has decreased to almost 150 square feet of space per worker and may decrease even more if current trends persist. Second, with declining space needs, our current supply of office buildings will likely be able to accommodate a larger work force as spaces are reconfigured to meet current trends. Third, not all office workers will work in a traditional office building. There are many examples of businesses that choose to locate typical office jobs in flex industrial space or even marginal retail space.

Table 19: Projected Growth in Metro Area Jobs by Occupation, 2009-2019

Occupation Category	2009	2019	# Change	% Change
Management Occupations	106,659	111,884	5,225	4.9%
Business and Financial Operations Occupations	117,048	131,870	14,822	12.7%
Computer and Mathematical Occupations	67,776	77,038	9,262	13.7%
Architecture and Engineering Occupations	34,973	36,587	1,614	4.6%
Life, Physical, and Social Science Occupations	21,368	24,825	3,457	16.2%
Community and Social Services Occupations	37,026	40,983	3,957	10.7%
Legal Occupations	16,672	18,103	1,431	8.6%
Education, Training, and Library Occupations	89,951	100,277	10,326	11.5%
Office and Administrative Support Occupations	265,965	275,882	9,917	3.7%
Office Occupations	757,438	817,449	60,011	7.9%
Arts, Design, Entertainment, Sports, and Media Occ	34,397	36,694	2,297	6.7%
Healthcare Practitioners and Technical Occupations	86,849	106,683	19,834	22.8%
Healthcare Support Occupations	45,861	57,641	11,780	25.7%
Protective Service Occupations	29,563	32,071	2,508	8.5%
Food Preparation and Serving Related Occupations	121,692	132,720	11,028	9.1%
Building & Grounds Cleaning & Maintenance Occup.	51,615	54,603	2,988	5.8%
Personal Care and Service Occupations	75,001	94,844	19,843	26.5%
Sales and Related Occupations	172,045	178,812	6,767	3.9%
Farming, Fishing, and Forestry Occupations	5,353	5,926	573	10.7%
Construction and Extraction Occupations	52,699	60,465	7,766	14.7%
Installation, Maintenance, and Repair Occupations	50,613	52,560	1,947	3.8%
Production Occupations	111,222	106,780	-4,442	-4.0%
Transportation and Material Moving Occupations	91,157	92,356	1,199	1.3%
Non-Office Occupations	928,067	1,012,155	84,088	9.1%
Total, All Occupations	**1,685,505**	**1,829,604**	**144,099**	**8.5%**

Source: MN Department of Employment and Economic Development

Figure 26: Projected Growth in Metro Area Jobs by Occupation, 2009-2019



Source: MN Department of Employment and Economic Development

OVERVIEW OF THE OFFICE MARKET

The office market is a very broad category that encompasses many different types of properties that are typically differentiated by the building class (A, B, C); visibility, transportation access, structure, size of tenant spaces and supporting services. Some of the office market subcategories are as follows:

HIGH RISE OR SIGNATURE BUILDING

Office buildings of this type place a premium on visibility and image. They are typically multi-tenant buildings with a high level of architectural interest. Level of finish is generally high. The tenant mix tends to be businesses that are willing to pay a premium for image including corporate headquarters, law firms, financial advisors, advertising and other types of business services. These buildings are typically found in the commercial center of a metropolitan area, at the intersection of high volume highways and near very affluent suburban locations.

LOW RISE, MULTI-STORY BUILDING

Office buildings of this type have the most variety of physical conditions and tenant mix. Class A buildings in this class can have many similar features to the high rise buildings and command elevated rents. Class B and C space can be dated and needs to compete more on price. Typical locations for this class of office space is near regional malls and along arterial roadways in suburban locations. The tenant mix has a wide variety and can include smaller corporate headquarters, medical, technology, design, government and business services.

SINGLE STORY BUILDING-RETAIL

Office buildings of this type share a lot of physical and location characteristics with neighborhood and strip retail. Buildings of this type often are located near retail areas where there is a reasonable amount of visibility and customer traffic. Tenant spaces are generally smaller in size and the businesses usually have some level of walk-in customer traffic that justifies the need for visibility. Typical tenants in this building type include insurance, real estate brokerage, medical services, and financial services.

SINGLE STORY BUILDING-FLEX

Office buildings of this type share many physical and location characteristics with light industrial buildings. They are often located in lower visibility areas where land prices are lower, enabling a

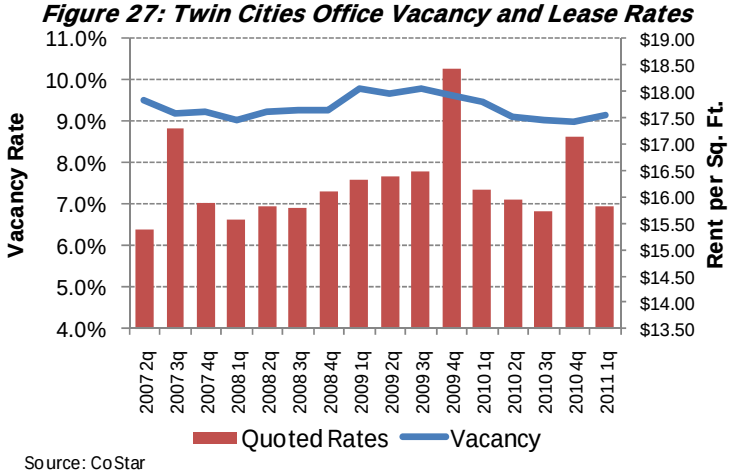
reduced rent structure in comparison to other office types. Transportation access is important but does not always need to be direct as walk in traffic is often not a key issue for the tenants. Building shells involve industrial construction techniques and building heights. Tip up concrete panels or concrete block are common shell materials but the level of finish often includes some retail finish including colored concrete, stucco, spandrel glass, tenant signage and attempts to vary the appearance of flat rooflines or building faces. The level of aesthetic enhancement varies greatly in this sector based on each community's standards and regulatory controls. Tenants in this building type tend to be office uses that require back office warehousing or light manufacturing; construction/repair related businesses that maintain some inventory, such as window or garage door installers; price sensitive large office users, such as call centers; and startup businesses that seek the lower cost and expansion flexibility of a flex building.

REGIONAL OFFICE CHARACTERISTICS

As with other real estate classes, the office market is suffering due to the nation's economic downturn. Companies that have reduced hiring levels have excess office space and can undercut landlords with reduced rent subleasing. Very few businesses are looking for additional office space and those that are in the market are maximizing their leverage with demands for reduced rent and extensive tenant improvement packages. Landlords are reluctant to enter into long term lease arrangements that would "lock in" current low rental rates. Landlords are attempting to remain profitable by aggressively cutting operating costs and making targeted capital improvements to improve their buildings.

The impacts of these trends can be seen in Figure 27. Overall vacancy rates in the Twin Cities have been hovering between 9% and 10%, which is well above historic vacancy rates. And the concessions many tenants were going after can be seen in the multi-quarter decline in lease rates from 4Q 2009 to 4Q 2010. The good news is that an overall uptick in employment growth has seemingly stopped a continued rise in vacancies and subsequent decline in rents.

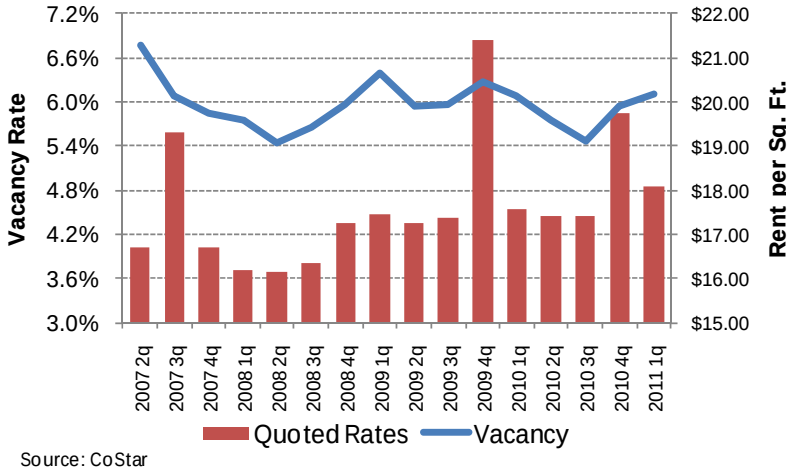
Figure 27: Twin Cities Office Vacancy and Lease Rates



Source: CoStar

Vacancy rates can vary significantly by submarket due to local economic conditions and levels of overbuilding. Fortunately, the west metro submarket that includes Plymouth has generally outperformed the remainder of the metro area in recent years (Figure 28 on the following page). Vacancy rates, though more volatile, have been typically well below that of the overall metro, and average lease rates are often $1.00 to $2.00 more per square foot than the metro average.

Figure 28: West Metro Office Vacancy and Lease Rates

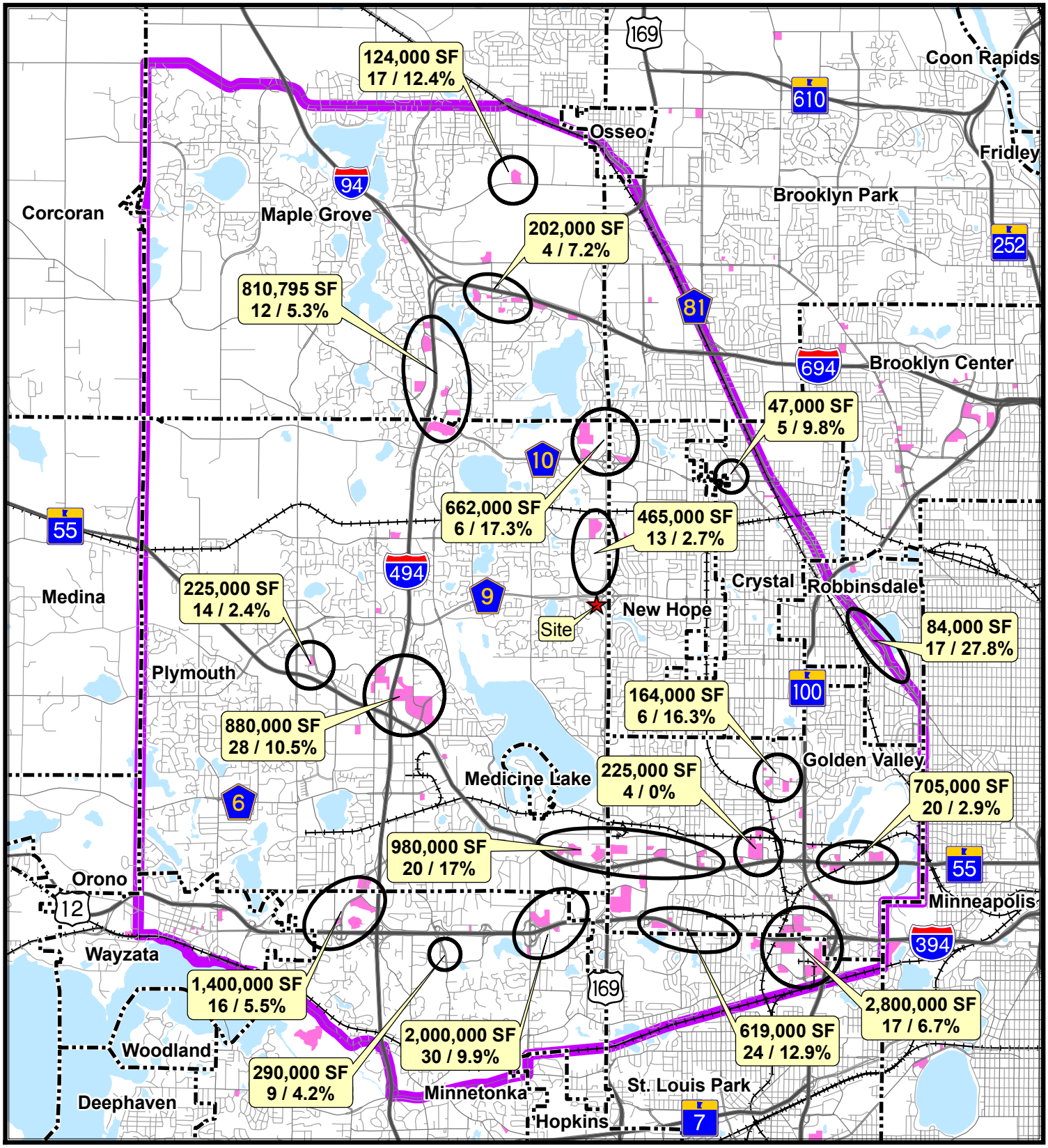


Source: CoStar

TRADE AREA OFFICE MARKET

The Office Trade Area has some of the metro area's highest profile office buildings and districts outside of the two downtowns. These high profile districts are located along Interstate 394 near each of the major interchanges with Highway 100, Highway 169, and Interstate 494. Although the Site is not located near one of these major office districts, it is adjacent to a nearby district with a modest concentration of office buildings. This district, which is situated along the west side of Highway 169 between Rockford Road and Schmidt Lake Road, has an overall vacancy rate that is currently very low (2.7%) and commands rents that are slightly lower than average (Table 19).

The entire Office Trade Area has approximately 450 office buildings with about 17.3 million square feet of leasable space. There are 195 buildings that are actively marketing available space, of which 1.3 million square feet are vacant (7.5%) and another 1.7 million square feet available for lease but currently occupied.



Trade Area Office Districts

Plymouth Four Seasons Mall Market Study

N
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8,000 0 8,000 Feet

200,000 SF
12 / 12.5%
Total Square Footage
# of Buildings / Vacancy Rate

Office Land Use

Office Business Trade Area Boundary

April 20, 2011

Bonestroo

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Table 19: Trade Area Office Districts

Office District	Prop-erties	Leasable Sq. Ft.	Average Building Age	Vacancy Rate 2011	Vacancy Rate 2010	Vacancy Rate 2009	Avg. Rent per sq. ft.[1]	District Character
I-394 & Hwy 100	17	2,821,831	26	6.7%	10.1%	8.7%	$12.39	Several high profile Class A office buildings; first major office district west of Downtown Minneapolis
I-394 & Louisiana Ave	24	618,501	40	12.9%	12.3%	9.3%	$9.62	Many first generation office buildings along major I-394 corridor
I-394 & Hwy 169	30	1,977,719	29	9.9%	11.1%	11.2%	$13.36	Several high profile Class A office buildings
Ridgedale	9	291,874	40	4.2%	3.6%	6.7%	$11.23	Mostly small professional office buildings that benefit from proximity to retail
I-394 & I-494	16	1,394,954	22	5.5%	2.0%	1.8%	$17.50	Several high profile Class A office buildings
Hwy 55 & Wirth Pkwy	20	705,661	26	2.9%	1.1%	3.6%	$9.25	Mixture of corporate headquarters and old flex industrial buildings that have converted to office; area benefits from proximity to Downtown Minneapolis
Hwy 55 & Douglas Dr	4	224,575	40	0.0%	0.0%	0.0%	--	Dominated by large single use buildings
Hwy 55 & Hwy 169	20	978,315	29	17.0%	14.4%	10.0%	$8.50	Wide variety of office buidings from big Class A buildings to small, obsolete buildings
Hwy 55 & I-494	28	880,330	19	10.5%	12.3%	6.1%	$15.21	Wide variety of office buidings from big Class A buildings to small, obsolete buildings
Plymouth City Center	14	224,776	9	2.4%	7.1%	11.5%	$11.00	Mostly small professional office buildings that benefit from proximity to retail
Hwy 100 & Duluth St	6	163,816	35	16.3%	18.7%	23.4%	$12.00	Office district that has been impacted by changes to the highway system and reduced access to Hwy 100
Downtown Robbinsdale/ West	17	83,667	54	27.8%	27.8%	16.6%	$7.00	Mixture of old downtown and highway commercial properties
Crystal Town Center	5	46,706	40	9.8%	2.6%	6.0%	$6.40	Mostly small professional office buildings that benefit from proximity to retail
Hwy 169 & Rockford/ Schmidt Lake Rd	13	464,371	22	2.7%	3.1%	2.5%	$10.75	Dominated by a few new buildings with visibility from highway
Hwy 169 & Bass Lake Rd	6	662,812	20	17.3%	2.1%	1.9%	$14.45	Dominated by a few new buildings with visibility from highway
I-494 & Bass Lake Rd	13	810,795	14	5.3%	3.2%	8.8%	$12.42	Dominated by new buildings with visibility from highway
I-694 & Hemlock Ln	11	202,634	14	7.2%	11.4%	20.0%	$15.37	Mostly small professional office buildings that benefit from proximity to retail
Weaver Lake Rd & Zachary Ln	17	123,951	8	12.4%	11.5%	21.9%	$15.61	Mostly consists of newer office condominium project

[1] Average rent is based on quoted rates for "triple net" or NNN

Sources: CoStar; Bonestroo, Inc.

OFFICE DEMAND

Table 20 displays the methodology used to calculate potential demand for office space in Trade Area between 2010 and 2020. The Minnesota Department of Employment and Economic Development projects the number of new office jobs will increase by roughly 60,000 in the metro area during the coming decade. Not all of these jobs, however, will locate within the Trade Area. Based on historic and forecasted trends, the Trade Area has typically captured about 10% of all new job growth in the metro area. Assuming this will remain true translates to about 6,000 new office jobs that could be captured by the Trade Area.

Office jobs are converted into office space based on the average amount of space needed per office worker. This amount had been historically about 250 square feet per worker. However, increased telecommuting, fiscal restraint, and changes in workplace design have pushed this figure down to 150 square feet per worker. At this amount, the Trade Area will likely require

about 900,000 square feet of traditional office space to accommodate the projected growth. However, there already is great deal of available office space currently in the market that could absorb a large portion of this demand. Assuming market equilibrium of about 5% vacancy, this means that there is about 600,000 square feet of excess office space in the marketplace that would need to be absorbed before any appreciable demand is generated for new speculative office space.

Subtracting the 600,000 square feet of excess existing space from the 900,000 square feet demanded from projected growth yields a net demand of 300,000 square feet. Not all of this demand, however, can be captured in one location since it takes into consideration all types of office jobs created by all types of businesses, many of which have different needs and demands for their office space. Nonetheless, it demonstrates that once job growth does improve, especially toward the latter half of the decade, there appears to be the likelihood that the Site could tap into growing demand for office space and support between 50,000 and 100,000 square feet of new space.

Table 20: Office Demand Calculation

		2010-2020
Metro Area Growth in Office Jobs[1]		60,000
(times) Capturable Trade Area Share[2]	x	10%
(equals) Trade Area Office Job Growth	=	6,000
(times) Average Office Space per Worker (in sq ft)[3]	x	150
(equals) Office Space Needed for New Workers	=	900,000
(less) Excess Office Space in Trade Area[4]	-	600,000
(equals) Pent up Demand for New Office Space	=	300,000

[1] MN Department of Employment and Economic Development

[2] The Trade Area captured approximately 12% of metro area job growth during the 1990s and 2000s. Most recent figures from the Met Council suggest this rate will decrease slightly during the 2010s.

[3] Historically, office space per worker has averaged 250 sq ft per worker. Newer buildings, however, are being designed for 150 sq ft per worker.

[4] There currently is 1.3 million sq ft of vacant office space in the Trade Area and another 1.7 million sq ft of leased but actively marketed space available. Although a good deal of this space is not highly desirable, there clearly is a significant amount of excess office space currently in the market. Therefore, we estimate that at least 600,000 sq ft of existing space needs to be absorbed before a significant amount of new office construction can be supported from speculative demand.

Source: Bonestroo, Inc.

For this Site, it is anticipated that the new office building market demand is between 30,000 and 100,000 square feet Due to the current strain in the office market, it is anticipated that this market will not be recovered to the point of large scale new office construction until 2014. Smaller amounts of office would be expected to be

develop in the near term as part of a mixed use scenario on a tenant by tenant basis (such as insurance agent, tax preparation, etc.) because this type of tenant operates more like a retail use and is not as affected by the overall office market.

Medical Office

INTRODUCTION

The medical office market shares many of the same traits as the general office market regarding building types and preferred locations. In addition, medical offices have traditionally tended to cluster together, often near major hospitals or clinics. This cooperative location behavior increases efficiencies with sharing capital intensive equipment (MRI's) and lab resources. It also increases efficiencies in service between clinics and hospitals or specialty clinics.

In recent years, as medical costs have soared and the industry has begun to reexamine its service delivery methods, innovations have begun to emerge that can run counter to the clustering behavior. One example is the urgent care clinic that can be located in non-traditional locations and also the introduction of small, nurse practitioner clinics in retail settings such as drug stores or "big box" stores like Target and Wal-Mart. Additional medical services are also being provided in nursing homes and assisted living facilities that previously would have only been available in a hospital or a clinical setting. Finally, a number of specialty clinics, such as the West Health facility located in the Trade Area, have begun to emerge although they often still locate near established medical service cluster areas.

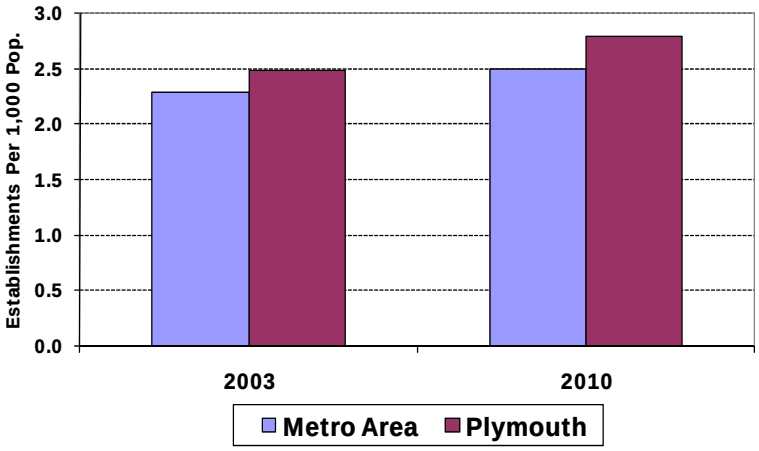
The industry's innovations and development behavior is greatly influenced by governmental actions due to the impact of Medicare on the entire medical system. Changes in funding levels or reimbursement formulas can result in services being provided in different manners and at different levels. For this reason as well as the general economy, much of the medical office decisions in the market were postponed until there was more clarity about the recent healthcare reform legislation. With the aging baby boom generation entering peak medical service age brackets, the recent slowdown in medical office development appears to be a temporary condition as there have been several strategic development changes undertaken by healthcare providers in the past 12-18 months, such as the introduction of the Minute Clinic and other similar concepts into the retail setting.

HEALTHCARE DEMAND

The demand for healthcare services is determined by the size and age of the local population. In the Metropolitan Area there are approximately 2.5 establishments and 75.9 employees in the Healthcare and Social Services industries for every 1,000 population.

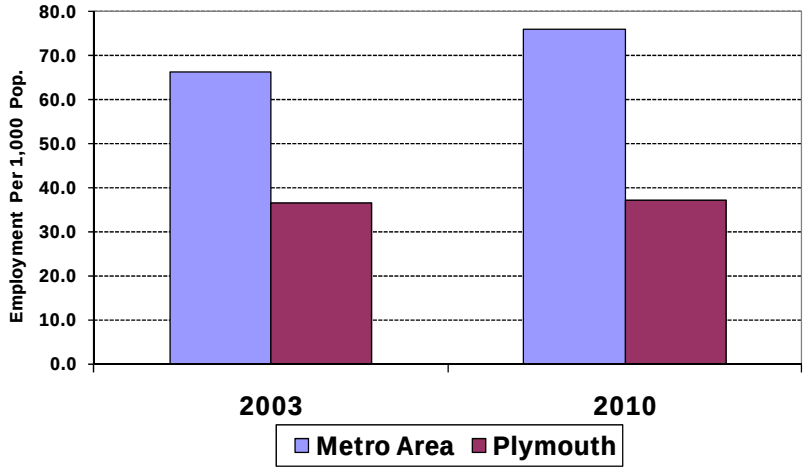
Plymouth has slightly more establishments and about 50% of the employment levels as the Metropolitan Area average (Figures 29 through 31). This suggests that the city has a lot of small health care establishments, due in part to the concentration of office properties, but yet exports a lot of its demand to adjacent communities. However, Plymouth does have examples of larger medical office buildings, such as West Health located near Highway 55 and I-494. As mentioned previously, these businesses, especially ones with highly specialized medical services, like to cluster together and the nearest significant medical service clusters are located well outside the Trade Area in Minneapolis, Maple Grove and Edina. Despite the clustering nature of these businesses, growth in the number of establishments and employees has increased in both the Metropolitan Area and the City of Plymouth, despite the recession.

Figure 29: Healthcare and Social Assistance Businesses per 1,000 Population



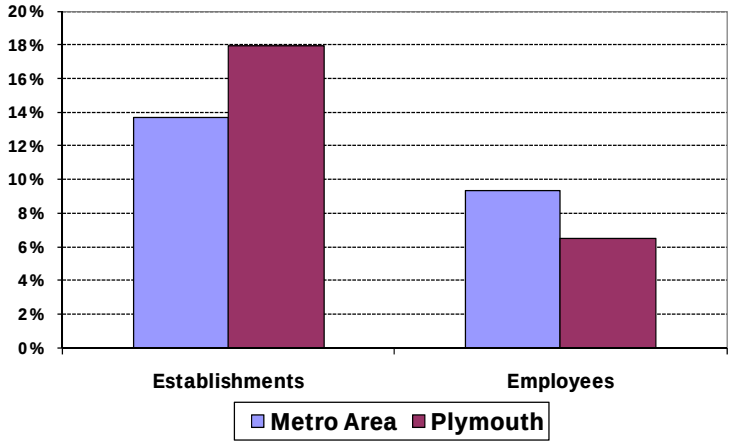
Source: Minnesota Department of Employment and Economic Development

Figure 30: Healthcare and Social Assistance Employment per 1,000 Population



Source: Minnesota Department of Employment and Economic Development

Figure 31: Healthcare and Social Assistance Growth Rates



Source: Minnesota Department of Employment and Economic Development

Growth in the healthcare industry is underscored by data from the Minnesota Department of Employment and Economic Development (Table 21). This table was previously presented in this report. However, data has been reorganized to illustrate how the top three occupations that are projected to have the greatest growth in the next years are all healthcare or healthcare related occupations.

Table 21: Projected Growth in Metro Area Jobs by Occupation, 2009-2019

Occupation Category	2009	2019	# Change	% Change
Personal Care and Service Occupations	75,001	94,844	19,843	26.5%
Healthcare Support Occupations	45,861	57,641	11,780	25.7%
Healthcare Practitioners and Technical Occupations	86,849	106,683	19,834	22.8%
Life, Physical, and Social Science Occupations	21,368	24,825	3,457	16.2%
Construction and Extraction Occupations	52,699	60,465	7,766	14.7%
Computer and Mathematical Occupations	67,776	77,038	9,262	13.7%
Business and Financial Operations Occupations	117,048	131,870	14,822	12.7%
Education, Training, and Library Occupations	89,951	100,277	10,326	11.5%
Farming, Fishing, and Forestry Occupations	5,353	5,926	573	10.7%
Community and Social Services Occupations	37,026	40,983	3,957	10.7%
Food Preparation and Serving Related Occupations	121,692	132,720	11,028	9.1%
Legal Occupations	16,672	18,103	1,431	8.6%
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Building & Grounds Cleaning & Maintenance Occup.	51,615	54,603	2,988	5.8%
Management Occupations	106,659	111,884	5,225	4.9%
Architecture and Engineering Occupations	34,973	36,587	1,614	4.6%
Sales and Related Occupations	172,045	178,812	6,767	3.9%
Installation, Maintenance, and Repair Occupations	50,613	52,560	1,947	3.8%
Office and Administrative Support Occupations	265,965	275,882	9,917	3.7%
Transportation and Material Moving Occupations	91,157	92,356	1,199	1.3%
Production Occupations	111,222	106,780	-4,442	-4.0%
Total, All Occupations	**1,685,505**	**1,829,604**	**144,099**	**8.5%**

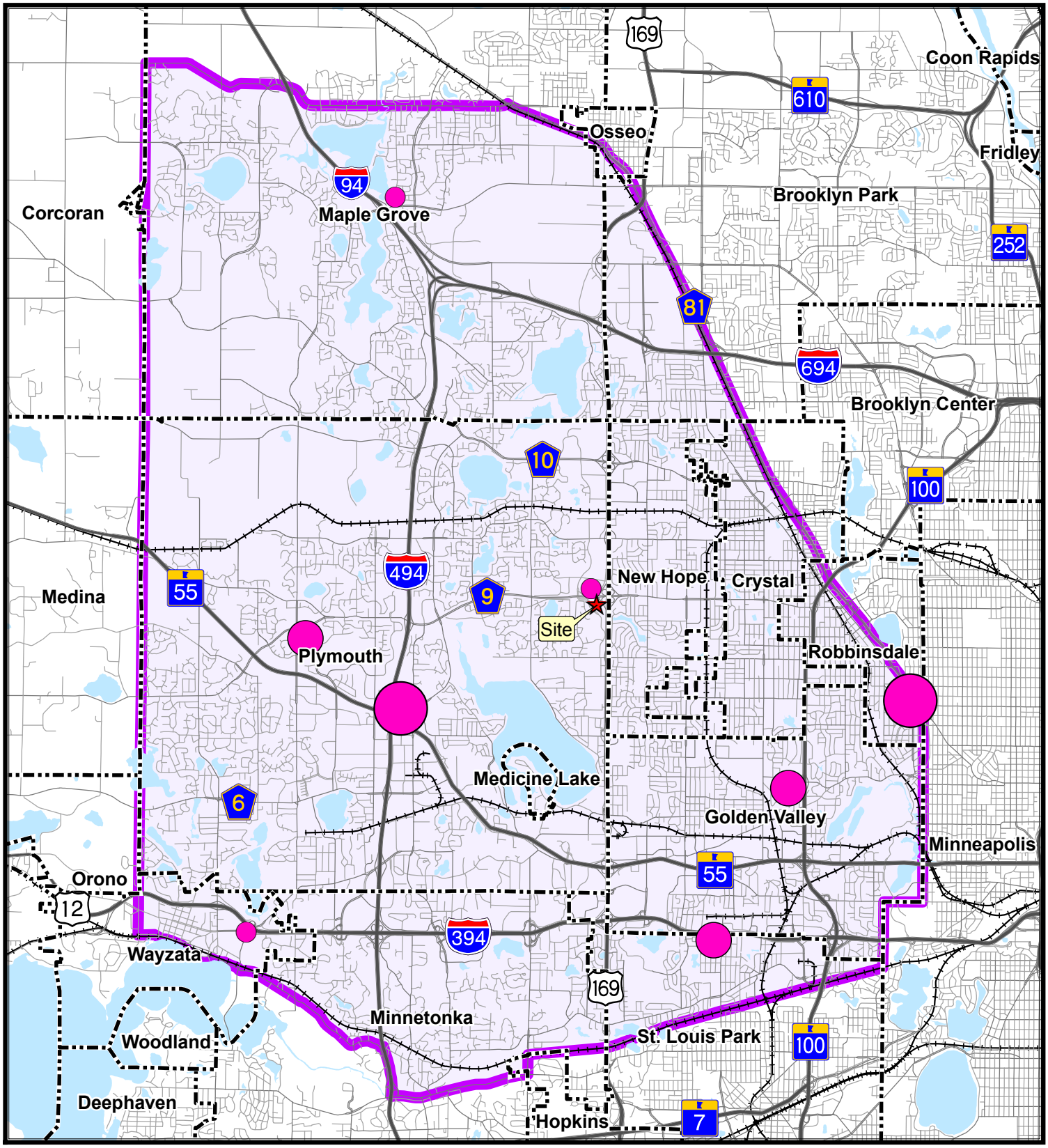
Source: MN Department of Employment and Economic Development

TRADE AREA MEDICAL OFFICE MARKET

Because the medical office market has only recently begun to emerge as a unique submarket, it is still somewhat difficult to accurately quantify the size of this market. Changes in the healthcare industry, especially with respect to increasing specialization have driven the emergence of this office product as its own submarket. This is because many of the newer medical office properties being designed today are not easily adapted to more traditional office users, which has necessitated the need to separately categorize such properties. Nonetheless, the vast majority of healthcare establishments still occupy traditional office space, including many dentists, chiropractors, orthodontists, and family practice physicians.

The Trade Area's base of medical office buildings is performing well and very little vacant space is currently on the market. There are nine medical office buildings with a total of about 550,000 square feet of space in the Trade Area and about 35,000 square feet is vacant space (6.4%) and another 33,000 square feet of space that is occupied but being actively marketed. This is a much tighter market than metrowide medical office market, which currently has a vacancy rate of 20.8%, more than three times the Trade Area rate.

The following map illustrates where existing medical office properties are located within the Trade Area.



Medical Offices

Plymouth Four Seasons Mall Market Study

Medical Building Size:

- Up to 10,000 SF
- 10,000 SF to 50,000 SF
- More than 50,000 SF
- Office Business Trade Area

N
W E
S

9,000 0 9,000 Feet

April 20, 2011

Bonestroo

I:\70\70111680\GIS\Projects\Medical Offices.mxd

Based on projected growth of the industry and current market conditions, it appears there is strong potential for new medical office development in the Trade Area. This is augmented by the fact that the Trade Area has a population that is aging and that demand for medical services, which increases among older populations, will increase overall.

For this Site, it is anticipated that the medical office market demand is between 10,000 and 50,000 square feet The medical office demand is impacted less by the recession and therefore, development of new medical office space can occur in the short term.

Conclusions

SINGLE USE SCENARIOS

SENIOR HOUSING

The Site would be well suited for a variety of senior housing options. The accessibility and visibility of the site would work well for assisted living and memory care since these facilities often prefer centralized locations due to frequent visits from family and friends, staff needed for personal care, and higher turnover rates among the resident population. The overall market for assisted living and memory care has been performing well in recent years as these product types have matured and become an acceptable alternative to skilled nursing care. Although calculated demand within the Housing Trade Area is not particularly large for either product type, there does appear to be somewhat of a lack of facilities within 1 to 2 miles of the Site, which would enhance the ability of a project to capture maximum market share.

Assisted living and memory care can function as standalone facilities, but the trend in the marketplace is to provide these services as part of a continuum of care. A continuum not only provides residents some assurance of access to personal care as they age in place, but also helps operators defray expenses by offering a variety services. Moreover, a standalone assisted living or memory care facility would only utilize a small portion of the Site.

As a possible single use option, there would have to be a full continuum of care on the Site. This means that in addition to assisted living and memory care, a project would also have to include independent living. As previously noted, there is a glut of independent living projects in the Trade Area, which is putting a drag on demand but much of this product is older and verging on obsolescence. Therefore, a project designed to meet the needs of today's seniors, such as units with universal living standards (i.e., fully accessible bathrooms and kitchens), could not only capture a high proportion of new demand but may attract residents from existing buildings.

Despite the advantages a newer project may have competing against older product, the effect of the recession and the impact on the for-sale housing market is still negatively affecting independent living. Therefore, it may be three to five years until a market for new independent living can be supported. Independent living is a lifestyle choice, and for now, many in the target market are choosing to delay a move because of the recent decline in their home values.

Because independent living is a lifestyle, the ability to introduce amenity to a project or site will enhance market interest and acceptance. Amenity can come in the form of architecture, natural areas, attractive public realm, a continuum of care, or nearby complementary services, such as medical clinic, drug store, restaurants or access to transit.

- Independent living market demand is between 60 and 80 units. However, this market is likely not going to develop until after 2015 and we would recommend that any attempt to develop a large number of independent living units should be developed as part of a continuum of care concept.
- Assisted living market demand is between 25 and 50 units. The assisted living market is strong enough to develop a standalone facility. However, assisted living units would also perform better in a continuum of care concept.

- Memory care market demand is between 10 and 25 units. This is not enough demand to develop a standalone memory care facility. However, it would be feasible as part of a continuum of care concept.

RETAIL

Calculations for retail demand indicated that there is minimal Trade Area demand for a community-based retail center that would support a user or users dependent on a 3 to 5 mile Trade Area. This does not necessarily preclude the potential for a successful retailer to locate on the Site. It just means that to be successful they would likely have to steal significant market share from existing retail districts which can cause other negative community impacts.

In contrast, there appears to be demand for neighborhood-oriented retail that would draw customers from a smaller Trade Area. There is not enough neighborhood-oriented demand to fill the entire Site however and the size of the Site exceeds what would normally be expected in a neighborhood oriented center. This is further an issue in the long term because of the fact that current demand is calculated to shrink because of decreased spending power due to an aging household base.

Although the retail use should be scaled back from its current size, we would not recommend turning its back completely from the highway because a strength of the Site is its visibility from Highway 169 and Rockford Road. This would need to be preserved in some manner in order to maintain a competitive advantage in the marketplace.

One way to carve out a successful market niche is the potential to introduce an amenity that is distinctive from the other competitive retail districts. No other retail district in either the neighborhood or community Trade Areas, with the exception of the Winnetka Avenue and Highway 55 center, has a public space or realm that encourages any non-motorized activity. Amenities, such as fountains, plazas, or other water features, can invite users to interact with the public space and create a competitive advantage.

- Unmet neighborhood retail demand is between 30,000 and 50,000 square feet.
- Restaurants will likely be one of the strongest retail concepts with two sit down restaurants as a possibility in addition to smaller, quick service restaurant concepts.
- The general grocery market has been almost fully absorbed by the new Cub store and therefore any additional grocery would need to be a small, niche concept.
- There is market for a drug store at this location which would occupy approximately 12,000 to 15,000 square feet in size.
- Specialty retail could include uses such as coffee shop, liquor stores, cellular phones and sports/recreation.
- Four-sided architecture, with inviting designs on all sides, will help minimize the impact on adjacent residential uses and create a distinctive feature that will enhance retail competitiveness in the market place.

OFFICE

Highway visibility and accessibility make the Site appropriate for an office use. Although calculated demand indicates that there may be sufficient demand to eventually support an office building, this demand won't be realized until there is sufficient employment growth, especially among office-based occupations, and absorption of existing excess supply.

Although the Site is appropriate for an office use, it should be noted that it is not necessarily appropriate for a large Class A building. The Office Trade Area has a large supply of these types

of Class A buildings and the Site does not have enough nearby attractions to have the kind of character that warrants the premium rents. Nonetheless, it is a highly accessible Site in the middle of a strong submarket that has traditionally been a center for offices. Smaller multi-tenant facilities are the most likely possibility for meeting this demand either as part of a single use structure or combined with other uses in a mixed use format.

One possibility for a single use office site is the potential of attracting a large single user who would build a corporate or regional headquarters building. Plymouth has many examples of corporate or regional headquarters and there are very few sites remaining with such highly visible locations along major highways. However, no one can predict when this can happen because regional and corporate headquarters are few and far between. Therefore, basing a land use plan with that specific use in mind would be problematic because of the likelihood that it may never occur.

- New office building market demand is between 30,000 and 100,000 square feet. Due to the current strain in the office market, it is anticipated that this market will not be recovered to the point of large scale new office construction until 2014.
- Smaller amounts of office would be expected to be develop in the near term as part of a mixed use scenario on a tenant by tenant basis (such as insurance agent, tax preparation, etc.) because this type of tenant operates more like a retail use and is not as affected by the overall office market.

MEDICAL OFFICE

Demand for medical office space in the Trade Area is strong relative to other parts of the metro area and growth projections, both demographic and employment, suggest that this market will continue to grow in the short and long-term. The Site would be well positioned for a medical office building. The Trade Area is aging and much of the area has enough affluence to be strong consumers of medical services. Furthermore, there is an existing medical office building located nearby just north of Rockford Road, and that there could be a potential to cluster uses.

Although there may be enough demand for medical office to use the entire Site, there would be a lot of synergy with other complementary uses including senior housing, and certain retail uses, particularly medical retail, such as drug stores, wellness centers, fitness centers, etc.

- For this Site, it is anticipated that the medical office market demand is between 10,000 and 50,000 square feet. The medical office demand is impacted less by the recession and therefore, development of new medical office space can occur in the short term.

MIXED-USE SCENARIOS

Successful mixed use projects require not only a mixture of uses and key design elements, but also an interrelationship between those uses. The mixture of uses needs to be complementary and mutually supportive. The surrounding residents and employees should feel an emotional tie to the development and be frequent customers. This synergy is key to achieving to developing a market that is greater than the sum of its parts.

One example of this synergy is to find uses that have parking needs at very different times of the day so that they can share parking and reduce the overall parking lot footprint. Transit is often a good use to support mixed use projects because it brings additional customer traffic, but also has parking needs that occur at different times as other large park uses, such as restaurants. A good example of this type of development is the Southwest Station site in Eden Prairie.

One of the attractive features of the Site for mixed use development is that one key component for success can already be considered to be in place, namely multi-family housing. This kind of existing density creates an opportunity for mixed use development if the redevelopment design can build upon the existing residential development patterns. The key will be to form literal, visual and emotional connections with the surrounding residential neighborhoods so that the entire area (both old and new) serves as one compatible, connected commercial and residential mixed use district.

More than with other development formats, market demand alone is not sufficient to achieve success with a mixed use development. Design, tenant mix, and execution are every bit as important to a mixed use development's chance for success as the market itself. A successful mixed used development needs to have a "sense of place". When this is achieved, the impact can be an expansion of market reach and increased growth of both residential and commercial property values.

Key elements that lead to success in mixed unit developments include the following:

- High level of design including pedestrian scale details and the public realm
- Massing of structures to facilitate walking between uses
- If uses are stacked vertically, non-residential spaces should have sufficient structural flexibility to reconfigure over time
- Minimizing parking footprint, often with structured parking
- Actively seeking tenants that create the most synergy with existing uses
- Enhancing the "sense of place by tying the development to the site history or natural features

The previous analysis identifies several promising uses including senior housing, neighborhood-oriented retail, office, and medical office, although each use has at least one limitation which does not make it strong enough use to occupy the Site by itself. However, these are desirable uses for a mixed use development, since they provide opportunities for achieving synergy. There is enough market potential in each use that should provide significant design flexibility for the creation of concept plans. Some likely successful scenarios would be as follows:

- Continuum care senior housing with a neighborhood-oriented retail component
- A balance between neighborhood-oriented retail, small office, and assisted or memory care senior facility.
- Office, medical office and neighborhood-oriented retail either mixed vertically or horizontally.